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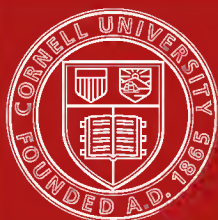
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# STATE OF NEBRASKA

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## REPORT

OF THE

## Special Commission

ON

## REVENUE AND TAXATION

1914



LINCOLN, NEBRASKA

1914  
THE WOODRUFF PRESS  
LINCOLN, NEB.



## LETTER OF TRANSMITTAL

LINCOLN, Nebraska, October 15, 1914.

Hon. John H. Morehead, Governor of Nebraska.

YOUR EXCELLENCY: We have the honor to submit herewith the report of the Special Commission on Revenue and Taxation, appointed by you on June 16, 1913 pursuant to Chapter 188 of the Laws of 1913. -

Respectfully,

J. H. GROSVENOR, Aurora

GEORGE O. VIRTUE, Lincoln

CHARLES W. SEARS, Omaha

CHARLES A. SCHAPPEL, Pawnee City

EARL B. GADDIS, Lincoln



## TABLE OF CONTENTS

|                                                                    |       |
|--------------------------------------------------------------------|-------|
| INTRODUCTION.....                                                  | 1—10  |
| History of the Commission.....                                     | 1     |
| The Proposed Tax Amendment.....                                    | 7     |
| Summary of the Report; Recommendations.....                        | 8     |
| CHAPTER I. THE PUBLIC REVENUE.....                                 | 11—33 |
| Growth of the Tax Revenues.....                                    | 14    |
| Where the Increase has Occurred.....                               | 14    |
| Are We Outrunning Our Resources.....                               | 15    |
| Growth of Bonded Indebtedness.....                                 | 16    |
| The State Appropriations.....                                      | 18    |
| Growth of Local Expenses.....                                      | 20    |
| Assessment of Property by Classes.....                             | 21    |
| Causes of High Taxes.....                                          | 23    |
| Increase of Expenditures and the Rise of Prices.....               | 24    |
| Need of Reform, Better Control of Appropriations.....              | 25    |
| Recommendations of National Tax Association for Budget Reform..... | 30    |
| Better Adjustment of the Tax Burden.....                           | 32    |
| CHAPTER II. THE PRESENT REVENUE SYSTEM.....                        | 34—38 |
| Requirements of a Good Revenue System.....                         | 34    |
| System Prior to 1903.....                                          | 34    |
| Act of 1903.....                                                   | 35    |
| Objections to the Present Law.....                                 | 38    |
| CHAPTER III. THE GENERAL PROPERTY TAX.....                         | 39—58 |
| Its Theoretical Unsoundness.....                                   | 40    |
| Its Viciousness in Practice.....                                   | 41    |
| Taxation of Intangibles.....                                       | 42    |
| Will Strong Administration Cure the Evils.....                     | 44    |
| Argument for Exemption of Intangibles.....                         | 46    |
| The Classified Property Tax.....                                   | 48    |
| The Registry Tax.....                                              | 49    |
| The Annual Flat Rate Tax.....                                      | 50    |
| Experience of Minnesota.....                                       | 51    |
| Experience of Other States.....                                    | 53    |
| The Situation in Nebraska.....                                     | 53    |
| Conditions Necessary to Success.....                               | 57    |
| CHAPTER IV. THE REAL ESTATE TAX.....                               | 60—80 |
| Provisions of the Present Law.....                                 | 60    |
| Permanent Position Real Estate Taxes.....                          | 61    |
| The Taxation of Improvements.....                                  | 61    |
| The Real Estate Assessment.....                                    | 64    |

|                                                        |                |
|--------------------------------------------------------|----------------|
| Improved Methods of Assessment.....                    | 66             |
| True Consideration in Deeds.....                       | 67             |
| Classification of Real Estate.....                     | 69             |
| Tax Maps.....                                          | 71             |
| Aid of Experts.....                                    | 71             |
| Assessment of Buildings.....                           | 72             |
| Publicity for Assessments.....                         | 73             |
| Quadrennial or Biennial Assessments.....               | 75             |
| Forest Taxation.....                                   | 76             |
| Increment Taxation.....                                | 77             |
| <b>CHAPTER V. THE MORTGAGE TAX LAW.....</b>            | <b>81—90</b>   |
| Provisions of the Law.....                             | 81             |
| Operation of the Law.....                              | 81             |
| Effect of Mortgage Exemption on the Interest Rate..... | 82             |
| Effect on Volume of Mortgages Listed.....              | 85             |
| Deductions from Value of Capital Stock.....            | 87             |
| Conclusions and Recommendations.....                   | 88             |
| <b>CHAPTER VI. THE TAXATION OF CORPORATIONS.....</b>   | <b>91—109</b>  |
| <b>I. The Public Service Corporations</b>              |                |
| 1. The Railroads.....                                  | 91—97          |
| The Present Method of Taxation.....                    | 91             |
| Terminal Taxation.....                                 | 92             |
| Yield of the Railroad Taxes.....                       | 92             |
| Are the Railroads Adequately Taxed.....                | 95             |
| The Test of Profits.....                               | 96             |
| 2. Sleeping Car Companies.....                         | 97—101         |
| History and Present Method.....                        | 97             |
| Operation of the Law.....                              | 98             |
| Criticism and Recommendations.....                     | 99             |
| The Gross Earnings Tax.....                            | 100            |
| Other Car Companies.....                               | 100            |
| Summary.....                                           | 101            |
| 3. The Express Companies.....                          | 101—105        |
| The Present Method.....                                | 101            |
| Local Occupation Taxes.....                            | 102            |
| The Two Per Cent Occupation Tax of 1913.....           | 102            |
| Conclusions and Recommendations.....                   | 103            |
| 4. The Telegraph Companies.....                        | 105—108        |
| The Present Method.....                                | 105            |
| Methods Employed in Other States.....                  | 106            |
| Recommendations.....                                   | 108            |
| 5. The Telephone Companies.....                        | 108—109        |
| <b>II. The Banks.....</b>                              | <b>110—111</b> |
| <b>III. The Insurance Companies.....</b>               | <b>111—122</b> |
| The Present Method in Nebraska.....                    | 112            |
| Foreign Life Companies.....                            | 112            |
| Foreign Accident and Surety Companies.....             | 113            |
| Foreign Fire Companies.....                            | 114            |

|                                                                           |         |
|---------------------------------------------------------------------------|---------|
| Domestic Fire Companies.....                                              | 115     |
| Domestic Life Companies.....                                              | 116     |
| Accident and Surety Companies.....                                        | 117     |
| Central Administration Recommended.....                                   | 117     |
| Insurance Companies and the Property Tax.....                             | 118     |
| Conclusions and Recommendations.....                                      | 120     |
| Summary.....                                                              | 122     |
| IV. Mercantile and Manufacturing Corporations.....                        | 122—132 |
| The Law as to Taxing Property, Franchise, Shares.....                     | 123     |
| The State Occupation Fee.....                                             | 124     |
| Problem of Franchise Taxation, Its Nature and Difficulties.....           | 125     |
| Taxing the "Corporate Excess".....                                        | 126     |
| Why Intangible Values Should Be Assessed.....                             | 128     |
| Question of Discrimination Against Corporations.....                      | 129     |
| Administrative Requirements.....                                          | 131     |
| Is the State Occupation Tax a Bar.....                                    | 131     |
| Conclusions and Recommendations.....                                      | 132     |
| CHAPTER VII. SEPARATION OF SOURCES OF REVENUE.....                        | 133—156 |
| The Movement for Segregation.....                                         | 133     |
| The Argument Based on Functions of State and Local Governments.....       | 133     |
| Separation to Avoid Undervaluation.....                                   | 135     |
| Separation as a Step Toward Local Option.....                             | 138     |
| Evil of Piling up the Levies on the Valuation Base.....                   | 141     |
| Effect of Separation on Economy.....                                      | 142     |
| Partial Separation Desirable.....                                         | 142     |
| Separation on Administrative Grounds.....                                 | 143     |
| Problem of Highly Localized Values.....                                   | 143     |
| How Distribute the Railroad Taxes.....                                    | 144     |
| Tables Showing the Effect of                                              |         |
| 1. Using the Railroad Taxes for State Purposes.....                       | 147     |
| 2. Apportioning the Railroad Taxes According to School<br>Population..... | 151     |
| 3. Charging State Taxes on the Basis of Local Expenditures.....           | 151     |
| Explanation of Tables.....                                                | 153     |
| A Feasible Plan of Separation.....                                        | 156     |
| CHAPTER VIII. PROBLEMS OF ADMINISTRATION.....                             | 157—170 |
| Conditions Prior to 1903.....                                             | 157     |
| Reforms of 1903, The County Assessor System.....                          | 158     |
| The State Board's Powers Enlarged.....                                    | 158     |
| Effect of the Act of 1903.....                                            | 160     |
| Devitalization of the Law                                                 |         |
| Elective Precinct Assessor Restored.....                                  | 160     |
| Office of County Assessor Optional.....                                   | 161     |
| Recommendations.....                                                      | 162     |
| Central Control of Assessments in Other States.....                       | 163     |
| Need of a Permanent Tax Commission.....                                   | 164     |
| Recommendations as to Form.....                                           | 168     |
| Probable Expense.....                                                     | 170     |

|                                                                                         |         |
|-----------------------------------------------------------------------------------------|---------|
| CHAPTER IX. INCOME TAXATION.....                                                        | 171—177 |
| Growing Interest in the Income Tax.....                                                 | 171     |
| Why Desirable.....                                                                      | 171     |
| The Wisconsin Law.....                                                                  | 172     |
| Exemptions and Deductions.....                                                          | 172     |
| Rates, Administration.....                                                              | 173     |
| Personal Property Practical Exempt.....                                                 | 173     |
| Operation of the Law.....                                                               | 174     |
| Distribution of the Tax.....                                                            | 175     |
| Is the Tax Inquisitorial.....                                                           | 175     |
| The Federal Law and a State Tax on Incomes.....                                         | 176     |
| Conclusions and Recommendations.....                                                    | 177     |
| CHAPTER X. THE INHERITANCE TAX LAW.....                                                 | 178—187 |
| History of the Statute.....                                                             | 187     |
| Recommendations as to                                                                   |         |
| Exemptions.....                                                                         | 180     |
| Rates.....                                                                              | 181     |
| Administration.....                                                                     | 181     |
| The Use of the Tax.....                                                                 | 182     |
| Financial Results of the Law.....                                                       | 183     |
| Synopsis of Legislation in other States.....                                            | 186     |
| CHAPTER XI. OCCUPATION TAX ON MANUFACTURERS AND<br>DEALERS IN LIQUORS AND TOBACCOS..... | 188—190 |
| Reasons for Such Tax.....                                                               | 188     |
| Recommendations.....                                                                    | 189     |
| CHAPTER XII. THE TAXATION OF GRAIN DEALERS....                                          | 191—195 |
| History and Present Method.....                                                         | 191     |
| Methods in Other States.....                                                            | 194     |
| Recommendations.....                                                                    | 195     |
| APPENDIX.....                                                                           | 197—240 |
| A. Summary of State Laws for Taxing Public Service Corpora-<br>tions.....               | 197     |
| B. Statistics of Interest Rates on Mortgages.....                                       | 227     |
| C. Statistics Relating to County and Local Levies.....                                  | 240     |

# INTRODUCTION

## HISTORY OF THE COMMISSION

The State Revenue and Tax Commission was appointed by Governor Morehead on June 16, 1913, under authority of Chapter 188 of the Laws of 1913, which provides as follows:

SECTION 1. (Taxation, revenue, commission.) Within thirty days from the adjournment of the Legislature, the Governor shall appoint a commission of five persons, residents of Nebraska, specially qualified by experience and study to deal with the problems of taxation in Nebraska, and to compare conditions here with conditions and experience elsewhere, and not more than three of whom shall be of the same political party. Any vacancy which may occur in such commission by reason of death, resignation or otherwise, shall be filled by appointment by the Governor.

SEC. 2. (Study: report.) Said commission shall make a careful study of the subject of revenue and taxation with special reference to the problems presented in Nebraska and shall investigate and study the systems of raising revenue and administering the same in other states and countries. It shall prepare by July 1, 1914, a concise report in popular language, presenting to the public the principal defects of the revenue system of Nebraska and the principal improvements suggested by experience elsewhere. There shall be prefixed to such report a brief abstract thereof containing in condensed form the substance of the complete report. Ten thousand copies of such report and abstract shall be printed for general distribution in the state. In case the constitutional amendment submitted under House Roll 92, legislative session 1913, shall be approved at the polls in November, 1914, said commission shall prepare a bill presenting a comprehensive revenue law for the State of Nebraska which it shall recommend for adoption to the legislature. Said bill shall be prepared and submitted to the Governor on or before January 15, 1915.

SEC. 3. (Access to records: legislative bureau: assistants.) The commission herein provided shall have free access to all books and records in the several departments of the state government and in the counties, cities and villages in this state. It shall office and work in co-operation with the Legislative Reference Bureau, making use, so far as practicable, of the facilities afforded by that bureau, and it may employ a stenographer and other necessary help, in the preparation of its report.

SEC. 4. (Compensation: expenses.) The members of said commission shall be paid at the rate of \$10.00 per day each for

the time actually employed in preparing said report and bill, not to exceed sixty days for each member thereof. The members of the commission shall be allowed necessary expenses incurred in the prosecution of their work, which shall be paid upon presentation of vouchers signed by the Governor to the Auditor of Public Accounts.

Approved, April 21, 1913.

The membership of the commission as chosen by the Governor was as follows: J. H. Grosvenor, an attorney of Aurora, Charles A. Schappel, county treasurer of Pawnee county; George O. Virtue of the Economics department of the University of Nebraska; Charles W. Sears, an attorney of Omaha; and Earl B. Gaddis, a newspaper man of Lincoln.

The Commission began its labors by getting in touch with tax administrative officers of the state and members of the legislature who were familiar with the operation of the present law and who had suggestions for remedying its defects. It also began an independent study of the laws of other states, and the reports prepared by special and permanent commissions of other states. Later in the year 1913 it also began a series of public hearings which representatives of all interests in the state were asked to attend. These hearings were continued for several months, some one hundred and fifty men appearing before the commission during that time. These men represented the farming interests, railroads, insurance companies, county officials, merchants, stock-raisers, telephone companies, and various other activities.

The commission also made a trip to Kansas to study the operation of the tax laws there and for the purpose of getting first hand knowledge of the administration of a permanent tax commission. This trip was of signal benefit to the commission. Various other commissions throughout the country have given material help through correspondence.

Several members of the commission joined with the National Tax association and have kept in touch with the proceedings of that body. It was represented by Mr. Charles A. Schappel at the Buffalo, N. Y. meeting of that association in October 1913 and at the Denver, Colorado meeting held in September 1914, by Mr. George O. Virtue.

For assistance rendered generously and gratuitously in carrying on its work of research and the preparation of its report, the

Commission wishes to thank the secretary of the state board of equalization and assessment, the director of the legislative reference bureau and his assistants, and all other state, county and local officials who have shown an interest in the investigation.

## THE PROPOSED TAX AMENDMENT

The authority of the legislature over taxation and exemption from taxation is found in Sections 1 and 2 of Article 9 of the Constitution of 1875. The sections provide as follows:

“SECTION 1. The legislature shall provide such revenue as may be needful, by levying a tax by valuation, so that every person and corporation shall pay a tax in proportion to the value of his, her or its property and franchises the value to be ascertained in such manner as the legislature shall direct, and it shall have power to tax peddlers, auctioneers, brokers, hawkers, commission merchants, showmen, jugglers, inn-keepers, liquor dealers, toll bridges, ferries, insurance, telegraph and express interests or business, venders of patents, in such manner as it shall direct by general law, uniform as to the class upon which it operates.

SEC. 2. The property of the state, counties and municipal corporations, both real and personal shall be exempt from taxation, and such other property as may be used exclusively for agricultural and horticultural societies, for school, religious, cemetery, and charitable purposes, may be exempted from taxation, but such exemption shall be only by general law. In the assessment of real estate incumbered by public easement, any depreciation occasioned by such easement, may be deducted in the valuation of such property. The legislature may provide that the increased value of lands, by reason of live fences, fruit and forest trees grown and cultivated thereon, shall not be taken into account in the assessment thereof.”

The legislature of 1913 submitted to the electors an amendment to be voted upon at the general election of 1914, which if adopted will greatly enlarge the authority of the legislature over taxation. If it becomes a part of the Constitution the legislature will have power to exempt other classes of property than those now exempted, to classify property for purposes of taxation, to adopt some other basis for taxation than the value of property, such as gross earnings, and to impose income taxes. The proposed amendment is as follows:

“SECTION 1. That Section 1 of Article 9 of the Constitution of the State of Nebraska be amended to read as follows:

SEC. 1. (Revenue.) The rules of taxation shall be uniform as to any given class and taxes shall be levied upon such property as the legislature shall prescribe. Taxes may also be imposed on incomes, privileges and occupations, which taxes may be graduated and progressive, and reasonable exemptions may be provided, in addition to those hereinafter specifically mentioned in section 2 of this article.

SEC. 2. (Submission.) That at the general election in November, 1914, there shall be submitted to the electors of the state for their approval or rejection the foregoing proposed amendment to the Constitution in the following form: ‘For amendment to the Constitution providing for uniform and progressive taxation,’ and ‘against said proposed amendment to the Constitution providing for uniform and progressive taxation.’ ”

## SUMMARY OF THE REPORT

**Defects of the Tax Law.**—The chief defects of the present law grow out of the attempt to raise nearly all the public revenues from a tax on all property according to its value. The law disregards all differences in the economic character of property, by treating all the citizen’s possessions as equally indicative of his ability to support the government.

The law fails to recognize the fact that many professions and businesses which yield a large income require little or no property, thus permitting many to escape their fair share of the tax burden.

It fails to take account of the great growth of corporate wealth by providing the means of reaching such wealth adequately once, and but once.

Other defects are due to inadequate administrative provisions. While the law has the appearance of providing a centralized control over assessments, this control is only nominal. The precinct assessorship, filled by election, and the absence of effective state control make the system a highly decentralized one.

The present law fails because it commands the local assessor to do some things no assessor can succeed in doing, and asks them to preform other duties which can be properly preformed only by a well equipped state board of assessors.

**Recommendations for Reform.**—In view of the fact that an amendment to the Constitution is pending which if

adopted will give to the legislature larger power over taxation. The Commission has had constantly to keep in mind what can be done under the present constitution and what may be done in case the tax amendment is adopted. Our recommendations, therefore, fall under two classes, those which may be followed in case the amendment fails, and those which may be followed in case the amendment is adopted at the November election.

**(1) In Case the Amendment Fails.**—The recommendations of the Commission for changes under the present constitutional restrictions may be summarized briefly as follows:

The creation of a permanent state tax commission with power: To supervise the local assessments; to assess all public service corporations, and in time all corporations doing business in the state; to study the operation of the revenue law; to collect and publish information relating to the revenues and expenditures; and to recommend to the legislature needed changes in the law.

That the office of precinct assessor be abolished, that the county assessor be made in fact as well as in name the assessor of all property that is to be locally assessed aided by as many deputies as may be required.

That the fractional assessment (one-fifth of the actual value) be abandoned and that all taxable property unless otherwise specifically provided for shall be assessed at its true value.

That an effective method of assessing corporations be adopted especially for reaching the "intangible" or "franchise" value connected with their operations.

That the method of taxing express companies be changed by abolishing all local occupation taxes and imposing upon them a gross earnings tax to be paid into the state treasury.

That similar changes be made in the method of taxing telegraph companies.

That the method of taxing sleeping car companies be changed so as to reach the "franchise" value, and not merely the value of the cars used in the state; that local occupation taxes on these companies be abolished; and that all taxes be paid into the state treasury.

That the method of taxing domestic insurance companies be changed so as to place them on a footing of equality with foreign companies of the same class and that the proceeds of such taxes be paid into the state treasury.

That greater publicity be given to all questions relating to revenue and expenditure, assessments and exemptions.

That the inheritance tax law be amended by reducing the exemptions allowed, by increasing the rates in the second and third classes of beneficiaries, by improving the administration in the matter of appraisals, etc., and by turning the proceeds of the tax into the state treasury.

**(2) In Case the Amendment is Adopted.**—In case the constitution is amended so as to give the legislature authority to act the Commission recommends:

That all the changes recommended above be enacted into law.

That the sleeping car companies and other private car companies be taxed on the basis of their gross earnings from intra-state business and the state's share of interstate business.

That the principles of the "classified property tax" be recognized by placing intangible property in a class by itself and subjecting it to a low rate of 3 or 4 mills, uniform throughout the state, without the privilege of deducting debts from credits now allowed under the decisions of the court.

That the distinction between land and the improvements thereon be recognized by making the latter assessable at a lower percentage of their value than the land.

That provision be made for exempting from taxation household goods to the value of \$200 for each head of a family.

That a suitable tax be imposed upon the manufacture and sale of malt and spirituous liquors and tobaccos, the proceeds to be paid into the state treasury.

And finally the Commission recommends for future action, but not by the next legislature, that provision be made for an income tax law. In the opinion of the Commission the attempt to enforce such a law in any other way than through an efficient state board would prove futile. The first step toward effective administration of an income tax law lies in establishing such a board.

## CHAPTER I

### THE PUBLIC REVENUES

It is proposed to set forth in this chapter the more significant facts with respect to the revenues of the state and the local governments. It may be said at the outset that one of the greatest difficulties with which the Commission has had to contend is the dearth of information about the operation of the revenue laws. No one has been charged with the duty of collecting statistics of the public income and expenditure as a whole and of classifying them in such a way that they will tell what the interested taxpayer wants to know. We have attempted to collect and classify some such information from county and city officials but while some officers have given generously of their time, our appeals for information have met with but partial success. We have thus had to fall back upon census figures in many cases for the statistical data here presented.

**The Public Revenues.**—We have no means of tracing the growth of the public revenues as a whole for the state and local governments. The table which follows, compiled from the census reports, gives a general view of the sources of revenue for the state and the local governments and their relative importance as they were twelve years ago. There has been no material change in the revenue system since that time. While the public revenues have increased since 1902 they are now derived from about the same sources in approximately the same proportion as shown in the table:

TABLE I

**Revenue for State, Counties, Cities and Other Civil Divisions in Nebraska for the Year 1902**  
(According to Source)

|                                              | Total        | State       | Counties    | Cities                    | Other              |
|----------------------------------------------|--------------|-------------|-------------|---------------------------|--------------------|
|                                              |              |             |             | Over 25,000<br>Population | Civil<br>Divisions |
| <b>Total Revenue Receipts</b> .....          | \$11,665,181 | \$2,028,621 | \$4,122,630 | \$2,483,930               | \$3,020,000        |
| <b>I. General Revenue Receipts</b>           |              |             |             |                           |                    |
| 1. General Property Tax.....                 | 7,976,188    | 1,274,577   | 3,017,988   | 1,683,623                 | 2,000,000          |
| 2. Special Property and Business..           | 66,740       | 66,740      |             |                           |                    |
| 3. Poll.....                                 | 324,370      |             | 309,234     | 5,136                     | 10,000             |
| 4. Liquor License.....                       | 682,715      |             | 23,075      | 359,640                   | 300,000            |
| 5. Other Licenses and Permits....            | 71,779       | 3,190       | 5,510       | 33,070                    | 30,000             |
| 6. Fines and Forfeits.....                   | 28,228       |             | 12,602      | 7,626                     | 8,000              |
| 7. Subventions and Grants.....               | 758,992      | 73,064      | 11          | 85,917                    | 600,000            |
| 8. Donations, Gifts, etc. ....               | 18,395       |             |             | 13,395                    | 5,000              |
| 9. All other.....                            | 41,047       | 5,519       | 35,528      |                           |                    |
| <b>II. Commercial Revenue Receipts</b> ..... | 1,696,727    | 605,522     | 718,682     | 305,523                   | 67,000             |
| 1. Interest.....                             | 580,024      | 535,067     | 33,505      | 6,452                     | 5,000              |
| 2. Special Assessments.....                  | 238,537      |             |             | 213,537                   | 25,000             |
| 3. Departmental Fees and Charges.            | 100,342      | 70,455      |             | 17,887                    | 12,000             |
| 4. Privileges.....                           | 14,459       |             |             | 14,459                    |                    |
| 5. Industrial Income.....                    | 78,188       |             |             | 53,188                    | 25,000             |
| 6. All other <sup>1</sup> .....              | 685,177      |             | 685,177     |                           |                    |

<sup>1</sup> County receipts from fees and other charges included under "all other."

**The Sources of the State Revenues** are indicated under a different classification in the following table showing the receipts into the state treasury only, by bienniums, from 1901-1902 to 1911-1912 and for the year 1913.

TABLE II

SHOWING REVENUE RECEIPTS OF THE STATE TREASURY DIVIDED ACCORDING TO SOURCE

|                                  | Biennium<br>1901-02 | Biennium<br>1903-04 | Biennium<br>1905-06 | Biennium<br>1907-08 | Biennium<br>1909-10 | Biennium<br>1911-12 | Year 1913      |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------|
| Tax General Property.....        | \$2,522,144.23      | \$2,731,718.80      | \$3,832,726.20      | \$4,662,045.69      | \$4,565,992.61      | \$4,584,469.51      | \$2,249,337.48 |
| Educational Lands—Principal..... | 929,401.85          | 824,202.61          | 1,167,172.94        | 820,299.11          | 606,541.31          | 403,484.04          | 163,174.93     |
| Interest.....                    | 206,143.45          | 345,297.96          | 270,346.67          | 268,505.22          | 285,956.81          | 287,768.08          | 134,856.25     |
| Lease.....                       | 264,850.18          | 313,753.27          | 368,067.15          | 330,602.47          | 327,755.98          | 336,158.69          | 162,909.97     |
| Educational Funds Invested—      |                     |                     |                     |                     |                     |                     |                |
| Interest.....                    | 281,440.35          | 399,647.45          | 460,032.98          | 589,576.44          | 614,408.14          | 712,280.64          | 380,682.05     |
| Departmental Fees and Earnings   | 281,642.25          | 234,608.02          | 325,953.73          | 387,181.35          | 692,490.73          | 654,303.10          | 337,250.89     |
| Federal Government Aid for—      |                     |                     |                     |                     |                     |                     |                |
| S. and S. Homes.....             | 60,667.85           | 68,135.57           | 77,702.00           | 76,505.37           | 63,852.54           | 68,516.10           | 36,656.65      |
| Agri. and Mech. Arts.....        | 50,000.00           | 50,000.00           | 50,000.00           | 65,000.00           | 85,000.00           | 100,000.00          | 50,000.00      |
| U. S. Experiment Station.....    | 30,000.00           | 30,000.00           | 38,500.00           | 48,000.00           | 56,000.00           | 60,000.00           | 30,000.00      |
| 5% of Sales of Public Lands..... | 5,460.69            | 9,729.24            | 7,266.45            | .....               | 12,302.22           | 14,479.13           | 3,576.12       |
| From Forest Reserves.....        | .....               | .....               | .....               | 3,079.30            | 5,187.11            | 10,079.45           | .....          |
| Licenses.....                    | 6,396.30            | 8,945.00            | 12,604.00           | 16,440.00           | 15,674.00           | 51,483.00           | 36,763.00      |
| Escheats.....                    | 1,438.27            | 518.92              | 299.00              | 822.81              | .....               | 82.50               | 255.20         |
| Convict Labor.....               | 46,141.38           | 52,159.12           | 62,825.87           | 67,524.92           | 87,362.74           | 89,317.89           | 30,151.50      |
| Income for State and Normal      | 10,908.50           | 9,843.25            | 9,089.79            | 12,200.23           | 18,945.50           | 23,933.70           | 12,479.56      |
| Libraries.....                   | .....               | .....               | .....               | .....               | .....               | .....               | .....          |
| Cash Fees to Self-supporting     | .....               | .....               | .....               | .....               | .....               | .....               | .....          |
| Offices and Boards.....          | .....               | .....               | .....               | .....               | .....               | .....               | .....          |
| TOTALS.....                      | \$4,696,635.30      | \$5,078,559.21      | \$6,682,586.78      | \$7,347,782.91      | \$7,437,469.69      | \$7,499,493.29      | \$3,737,315.70 |

**Growth of the Tax Revenues.**—By far the most important source of revenue for all grades of government is the general property tax. This is an ad valorem tax, that is; a tax laid according to the value of property. In 1902 out of the total revenue receipts of \$11,665,181, almost \$8,000,000 came from this source. By aid of the census figures given below we can trace the growth of the taxes levied for state and local purposes:

|            |            |
|------------|------------|
| 1860.....  | \$91,863   |
| 1870... .. | 821,862    |
| 1880... .. | 2,792,480  |
| 1890... .. | 8,325,566  |
| 1902. .... | 9,499,415  |
| 1913.....  | 22,487,791 |

Combining these figures with the assessed valuation of property in the state, for purposes of comparison, we have the following:

TABLE III

**Table Showing the Assessed Valuation and Total Levies of Ad Valorem Taxes for State and Local Purposes, 1860-1913**

| Year      | ASSESSED VALUATION |            | TOTAL LEVIES AD VALOREM TAXES |                                      |            |
|-----------|--------------------|------------|-------------------------------|--------------------------------------|------------|
|           | Amount             | Per Capita | Amount                        | Rate per \$100 of Assessed Valuation | Per Capita |
| 1860..... | \$7,926,949        | \$257      | \$91,863                      | \$1.24                               | \$3.19     |
| 1870..... | 143,667,693        | 1355       | 1821,862                      | 1.88                                 | 8.35       |
| 1880..... | 90,585,782         | 200        | 2,792,480                     | 3.08                                 | 6.17       |
| 1890..... | 184,770,305        | 174        | 8,325,566                     | 4.51                                 | 7.86       |
| 1902..... | 180,091,492        | 168        | 9,499,415                     | 5.27                                 | 8.89       |
| 1913..... | 470,690,414        | 392        | 22,487,791                    | 24.77                                | 18.28      |

<sup>1</sup>Gold basis.

<sup>2</sup>Based on the general assessments. The state boards' estimate of 47.25 mills as the average levy for the state in 1913 takes into account the terminal valuations of the railroads for municipal purposes.

**Where the Increase has Occurred.**—We had hoped to show for the whole state the amount of taxes levied during the last twenty years for the use of the various governmental divisions. We have been able to secure this information, however, from only twelve counties. The results are given in Table IV.

TABLE IV

Showing the Taxes Charged in Twelve Counties for the Use of the State, County, City and other Divisions of Government for the Years 1894 to 1913 Inclusive and the Percentage of the Total Charged for Each Class of Government

| Year    | State          | Perc't of Total | County <sup>1</sup> | Perc't of Total | City <sup>2</sup> | Perc't of Total | Township       | Perc't of Total | Precinct     | Perc't of Total |
|---------|----------------|-----------------|---------------------|-----------------|-------------------|-----------------|----------------|-----------------|--------------|-----------------|
| 1894... | \$168,627.06   | 15.34           | \$373,412.72        | 33.98           | \$66,284.34       | 6.03            | \$41,942.32    | 3.82            | \$9,666.51   | .88             |
| 1895... | 155,258.95     | 15.72           | 343,652.46          | 34.79           | 60,485.07         | 6.12            | 30,025.84      | 3.04            | 8,894.61     | .90             |
| 1896... | 156,645.78     | 16.55           | 296,876.92          | 31.37           | 55,575.35         | 5.87            | 28,159.89      | 2.98            | 10,473.09    | 1.11            |
| 1897... | 156,474.51     | 16.56           | 306,432.01          | 32.44           | 59,964.58         | 6.35            | 27,639.69      | 2.93            | 7,156.71     | .76             |
| 1898... | 156,403.54     | 15.47           | 334,150.29          | 33.06           | 65,661.44         | 6.50            | 35,981.80      | 3.56            | 5,396.09     | .53             |
| 1899... | 190,111.25     | 16.92           | 345,745.75          | 30.77           | 68,928.29         | 6.14            | 50,486.57      | 4.49            | 3,367.12     | .30             |
| 1900... | 176,218.07     | 15.55           | 342,961.75          | 30.27           | 67,181.00         | 5.93            | 54,479.90      | 4.81            | 3,413.82     | .39             |
| 1901... | 186,853.55     | 15.38           | 374,574.84          | 30.83           | 75,872.65         | 6.24            | 54,292.19      | 4.47            | 8,398.03     | .69             |
| 1902... | 185,045.81     | 14.40           | 393,465.97          | 30.63           | 113,840.72        | 8.86            | 55,962.55      | 4.36            | 8,880.81     | .69             |
| 1903... | 241,967.88     | 17.02           | 421,605.50          | 29.65           | 120,770.78        | 8.49            | 68,613.62      | 4.83            | 10,233.38    | .72             |
| 1904... | 300,976.96     | 17.05           | 495,595.04          | 28.07           | 149,458.89        | 8.47            | 91,159.50      | 5.16            | 10,482.71    | .59             |
| 1905... | 376,701.09     | 20.44           | 487,887.03          | 26.47           | 165,007.44        | 8.95            | 70,808.22      | 3.84            | 10,927.41    | .45             |
| 1906... | 488,254.52     | 20.46           | 513,194.11          | 27.26           | 174,656.53        | 9.28            | 69,575.91      | 3.70            | 8,513.72     | .46             |
| 1907... | 309,849.01     | 20.45           | 541,846.50          | 27.04           | 202,492.56        | 10.10           | 82,618.74      | 4.12            | 8,670.68     | .43             |
| 1908... | 430,933.88     | 18.84           | 583,357.72          | 25.51           | 247,768.27        | 10.83           | 94,772.09      | 4.14            | 11,036.41    | .48             |
| 1909... | 383,835.11     | 16.55           | 593,087.95          | 25.57           | 292,135.14        | 12.60           | 86,647.17      | 4.17            | 11,931.41    | .51             |
| 1910... | 357,514.49     | 14.26           | 677,824.28          | 27.02           | 331,968.86        | 13.24           | 106,311.87     | 4.24            | 11,634.22    | .46             |
| 1911... | 440,695.27     | 16.61           | 673,635.85          | 25.39           | 325,464.93        | 12.26           | 121,490.01     | 4.68            | 6,599.59     | .25             |
| 1912... | 409,600.58     | 14.31           | 781,233.73          | 27.29           | 353,460.37        | 12.35           | 144,737.88     | 5.05            | 7,462.66     | .26             |
| 1913... | 614,481.11     | 18.64           | 836,344.93          | 25.37           | 392,841.28        | 11.91           | 148,283.78     | 4.50            | 7,455.25     | .23             |
| Totals  | \$5,883,448.42 |                 | \$9,716,885.35      |                 | \$3,389,818.49    |                 | \$1,473,983.54 |                 | \$170,597.13 | .....           |
| Av'ge.  |                | 17.01           |                     | 28.09           |                   | 9.80            |                | 4.26            |              | .49             |

| Year     | Road <sup>3</sup> | Perc't of Total | Railway Bond | Perc't of Total | School and School Bond <sup>4</sup> | Perc't of Total | Poll           | Perc't of Total | Total Taxes Charged <sup>5</sup> |
|----------|-------------------|-----------------|--------------|-----------------|-------------------------------------|-----------------|----------------|-----------------|----------------------------------|
| 1894...  | \$10,671.00       | .97             | \$30,735.96  | 2.80            | \$338,406.79                        | 30.80           | \$59,135.00    | 5.38            | \$1,098,881.70                   |
| 1895...  | 8,868.17          | .90             | 33,277.14    | 3.37            | 297,875.44                          | 30.15           | 49,449.00      | 5.01            | 987,786.68                       |
| 1896...  | 12,554.13         | 1.33            | 32,369.22    | 3.42            | 304,635.02                          | 32.20           | 48,924.00      | 5.17            | 946,213.40                       |
| 1897...  | 9,044.42          | .96             | 31,302.66    | 3.31            | 296,007.73                          | 31.34           | 50,639.00      | 5.35            | 944,561.31                       |
| 1898...  | 14,099.55         | 1.39            | 33,464.15    | 3.31            | 304,937.82                          | 30.18           | 60,589.00      | 6.00            | 1,010,683.68                     |
| 1899...  | 17,750.31         | 1.58            | 36,929.10    | 3.29            | 344,906.20                          | 30.70           | 65,238.00      | 5.81            | 1,123,462.59                     |
| 1900...  | 19,041.58         | 1.68            | 38,209.97    | 3.37            | 366,145.93                          | 32.31           | 65,490.00      | 5.78            | 1,133,136.02                     |
| 1901...  | 9,646.33          | .79             | 47,183.50    | 3.88            | 392,418.26                          | 32.30           | 65,828.00      | 5.42            | 1,215,067.35                     |
| 1902...  | 5,626.24          | .44             | 44,751.49    | 3.48            | 410,946.93                          | 31.99           | 66,222.00      | 5.15            | 1,284,742.62                     |
| 1903...  | 15,146.77         | 1.07            | 39,442.94    | 2.77            | 438,140.58                          | 30.81           | 65,905.00      | 4.64            | 1,421,826.45                     |
| 1904...  | 28,793.46         | 1.63            | 32,465.10    | 1.84            | 582,091.13                          | 32.97           | 74,571.00      | 4.22            | 1,765,593.79                     |
| 1905...  | 26,360.06         | 1.43            | 26,079.15    | 1.42            | 602,227.21                          | 32.68           | 77,121.00      | 4.18            | 1,843,118.61                     |
| 1906...  | 22,378.26         | 1.19            | 22,602.47    | 1.20            | 609,892.97                          | 32.40           | 76,373.00      | 4.06            | 1,882,441.49                     |
| 1907...  | 28,647.84         | 1.43            | 21,969.56    | 1.10            | 645,220.67                          | 32.20           | 62,681.50      | 3.13            | 2,003,997.06                     |
| 1908...  | 54,188.32         | 2.37            | 24,454.84    | 1.07            | 776,501.32                          | 33.95           | 64,237.50      | 2.81            | 2,287,250.35                     |
| 1909...  | 56,717.73         | 2.45            | 8,946.88     | .39             | 812,493.35                          | 35.03           | 63,438.25      | 2.78            | 2,319,232.99                     |
| 1910...  | 54,740.49         | 2.18            | 5,174.86     | .21             | 898,652.06                          | 35.83           | 64,252.50      | 2.56            | 2,508,073.63                     |
| 1911...  | 55,100.84         | 2.08            | 4,525.62     | .17             | 961,197.06                          | 36.22           | 64,719.50      | 2.44            | 2,653,428.67                     |
| 1912...  | 83,192.17         | 2.91            | .....        | .....           | 1,015,974.74                        | 35.48           | 67,338.00      | 2.35            | 2,863,000.03                     |
| 1913...  | 93,497.34         | 2.84            | .....        | .....           | 1,139,101.12                        | 34.54           | 64,889.00      | 1.97            | 3,296,896.81                     |
| Totals   | \$626,065.01      |                 | \$513,884.61 |                 | \$11,537,772.34                     |                 | \$1,276,941.25 |                 | \$34,589,395.13                  |
| Av'ge... |                   | 1.81            |              | 1.49            |                                     | 33.36           |                | 3.69            |                                  |

<sup>1</sup>Including county, court house building fund, county special, and ditch taxes.

<sup>2</sup>Including city and village, city special, and district sewer taxes.

<sup>3</sup>Including road, special road, and bridge bond taxes.

<sup>4</sup>"School" column contains school, free high school, and school bond taxes.

<sup>5</sup>Of the twelve counties contributing data for this table ten began with 1894 and ended with 1913; one began with the year 1899 and ended 1913; the other with the year 1904-1913. The twelve counties reporting are as follows: Clay, Cumming, Dawson, Dundy, Furnas, Hamilton, Madison, Merrick, Nuckolls, Otoe, Platte, and Richardson.

This table shows the relative tax charge for the support of the various divisions of government and gives a rough indication of the cost of maintaining the different governments. It does not take into account, however, the revenues derived from licenses, fees, fines, investments, and special taxes. While incomplete, the table indicates fairly the relative importance of the taxes raised for the various divisions of government throughout the state.

The table is instructive as showing in what political divisions the increase has taken place. In the first ten years of the period the total taxes charged increased 29.39 per cent; during the last ten years 132 per cent. But the increase has been unevenly distributed. This is brought out in the table which follows:

#### Per Cent of Increase of Taxes Charged

|               | 1894-1903 | 1903-1913 |
|---------------|-----------|-----------|
| State.....    | 43.50     | 154.00    |
| County.....   | 12.91     | 98.36     |
| City.....     | 82.20     | 225.00    |
| Township..... | 63.60     | 116.00    |
| Road.....     | 41.95     | 517.00    |
| School.....   | 29.47     | 160.00    |

**Growth of Bonded Indebtedness.**—While the levies have thus been increasing, they have not kept pace with the demand for public funds. This is brought out by the table below showing the bonded indebtedness of the state and local governments less sinking fund assets for the census years 1880 and 1890, and for 1902.

TABLE V

| Year      | Total Indebtedness<br>Less Sinking Fund Assets | Per<br>Capita |
|-----------|------------------------------------------------|---------------|
| 1880..... | \$7,439,974                                    | \$16.56       |
| 1890..... | 15,536,772                                     | 14.67         |
| 1902..... | 22,415,041                                     | 21.01         |

Since 1902 the bonded indebtedness has grown rapidly. As shown by the State Auditor's Report there were outstanding public bonds of all grades of government on October 1, 1912, amounting to \$16,234,330, exclusive of the debts of Omaha, South Omaha and Lincoln. The debts of these cities for that

date are not available, but their combined debts taken at varying times in 1913 and 1914 amount to about \$17,700,000, making a total bonded indebtedness of about \$34,000,000. This does not include the constantly fluctuating amount of registered state warrants outstanding. On October 1, 1913, this item amounted to \$331,908; on June 1, 1914, it had risen to \$928,553.

The distribution of the bonded indebtedness among the several governments exclusive of irrigation district bonds was as follows in 1902 and 1912:

|                            | 1902         | 1912                    |
|----------------------------|--------------|-------------------------|
| State.....                 | \$2,005,001  | .....                   |
| Counties.....              | 4,781,958    | \$3,601,500             |
| Cities and Villages.....   | 12,212,073   | <sup>1</sup> 23,716,562 |
| Townships and Precincts... | 1,184,227    | 237,500                 |
| School Districts.....      | 2,231,782    | 6,010,653               |
| Other.....                 | .....        | 382,964                 |
| Total.....                 | \$22,415,041 | \$33,949,179            |

<sup>1</sup> As explained above the debts of Omaha, South Omaha and Lincoln here included are of later dates in 1913 and 1914.

**Are we Outrunning our Resources?**—The table given below is designed to give a comparative view of the growth of wealth and the levies of ad valorem taxes.

TABLE VI

### Estimated True Value of Taxable Property in Nebraska and Levies of Ad Valorem Taxes, 1880-1913

| Year      | ESTIMATED TRUE VALUE OF TAXABLE PROPERTY |            | LEVIES OF AD VALOREM TAXES |                         |
|-----------|------------------------------------------|------------|----------------------------|-------------------------|
|           | Amount                                   | Per Capita | Per Capita                 | Per \$100 of True Value |
| 1880..... | \$385,000,000                            | \$851      | \$3.08                     | \$0.73                  |
| 1890..... | 1,230,799,466                            | 1,162      | 4.51                       | .65                     |
| 1900..... | 1,565,111,824                            | 1,468      | .....                      | .....                   |
| 1902..... | 1,817,883,418                            | 1,685      | 5.27                       | .52                     |
| 1913..... | 3,400,000,000                            | 2,768      | 18.28                      | .74                     |

While absolute accuracy cannot be claimed for the estimates of the aggregate wealth of a community, they come more nearly

indicating the taxable resources of the state than the assessed valuation given above. There is available no census estimate of wealth for 1913. The estimate here made for that year is based in part on the census estimates for certain classes of property, and in part on the assessors' valuations. The estimate is probably below the true value. The tables show that since 1902 the taxable wealth has increased 84 per cent, while the levies have increased 136 per cent. As remarked above, the value of taxable property is probably greater than \$3,400,000,000; but it seems clear that taxes have grown more rapidly than the value of taxable property.

**Increasing Expense of Government.**—In the absence of any central bureau authorized to collect information concerning public expenditures the means of making a comparative study for a series of years are wanting. The statistics of tax levies given above indicate an increasing expense of government but they do not show definitely where the increase occurs. These facts are available as indicated by the appropriations for the state government but not for a series of years for the local governments.

**The State Appropriations.**—Table VII, compiled by the Legislative Reference Bureau, shows the total appropriations made by the legislature annually from 1867 to 1879 and biennially thereafter, to meet state expenditures and the percentage of these appropriations made for educational purposes, state institutions other than educational, legislative, executive and judicial expenses, and for boards, commissions and departments. The detailed appropriations will be published in the Blue Book now being prepared by the Bureau.

TABLE VII  
State Appropriations<sup>1</sup> for:

| Period       | Educational <sup>1</sup> Purposes |                   | Institutions Other Than Educational |                   | Legislative, Executive, Administrative and Judiciary |                   | Commissions, Boards and Departments |                   | Grand Total  |
|--------------|-----------------------------------|-------------------|-------------------------------------|-------------------|------------------------------------------------------|-------------------|-------------------------------------|-------------------|--------------|
|              | Amount                            | Per cent of Total | Amount                              | Per cent of Total | Amount                                               | Per cent of Total | Amount                              | Per cent of Total |              |
| 1867-68..... | \$3,000                           | 2.19              | \$23,309                            | 16.94             | \$104,174                                            | 75.76             | \$7,040                             | 5.11              | \$137,523    |
| 1869-70..... | 285,680                           | 36.10             | 421,842                             | 51.49             | 83,882                                               | 10.24             | 17,794                              | 2.17              | 819,200      |
| 1871-72..... | 334,020                           | 50.44             | 213,941                             | 32.30             | 83,224                                               | 12.56             | 31,123                              | 4.70              | 662,310      |
| 1873-74..... | 452,792                           | 58.86             | 164,376                             | 21.37             | 126,164                                              | 16.40             | 25,937                              | 3.37              | 769,270      |
| 1875-76..... | 609,148                           | 64.04             | 217,254                             | 22.84             | 105,055                                              | 11.05             | 19,750                              | 2.07              | 951,208      |
| 1877-79..... | 514,242                           | 55.82             | 193,438                             | 21.00             | 192,866                                              | 20.93             | 20,764                              | 2.25              | 921,312      |
| 1879-81..... | 522,235                           | 50.06             | 236,442                             | 22.67             | 259,818                                              | 24.91             | 24,579                              | 2.36              | 1,043,075    |
| 1881-83..... | 636,308                           | 48.05             | 334,141                             | 25.23             | 320,361                                              | 24.20             | 33,358                              | 2.52              | 1,324,171    |
| 1883-85..... | 960,091                           | 52.20             | 409,294                             | 22.25             | 417,730                                              | 22.71             | 52,190                              | 2.84              | 1,839,307    |
| 1885-87..... | 1,090,090                         | 47.46             | 606,313                             | 26.40             | 511,350                                              | 22.27             | 88,930                              | 3.87              | 2,296,685    |
| 1887-89..... | 1,413,609                         | 39.28             | 1,108,714                           | 30.82             | 914,219                                              | 25.40             | 161,921                             | 4.50              | 3,538,465    |
| 1889-91..... | 1,441,845                         | 43.61             | 1,129,288                           | 34.16             | 622,903                                              | 18.84             | 112,005                             | 3.39              | 3,306,042    |
| 1891-93..... | 1,499,972                         | 43.43             | 1,220,886                           | 35.33             | 597,534                                              | 17.30             | 136,003                             | 3.94              | 3,454,396    |
| 1893-95..... | 1,677,821                         | 50.58             | 941,003                             | 28.36             | 595,339                                              | 17.94             | 103,450                             | 3.12              | 3,317,615    |
| 1895-97..... | 1,398,699                         | 44.76             | 966,049                             | 30.91             | 607,878                                              | 19.45             | 152,364                             | 4.88              | 3,124,992    |
| 1897-99..... | 1,858,247                         | 52.36             | 969,795                             | 27.32             | 574,416                                              | 16.18             | 147,133                             | 4.14              | 3,549,593    |
| 1899-01..... | 1,875,987                         | 49.33             | 1,184,765                           | 31.16             | 582,077                                              | 15.30             | 160,017                             | 4.21              | 3,802,847    |
| 1901-03..... | 1,982,079                         | 48.62             | 1,231,520                           | 30.21             | 662,254                                              | 16.25             | 200,549                             | 4.92              | 4,076,404    |
| 1903-05..... | 2,370,261                         | 49.20             | 1,594,320                           | 33.10             | 633,336                                              | 13.15             | 219,300                             | 4.55              | 4,817,219    |
| 1905-07..... | 2,455,104                         | 49.98             | 1,576,664                           | 32.09             | 617,173                                              | 12.56             | 263,883                             | 5.37              | 4,912,824    |
| 1907-09..... | 2,931,098                         | 51.81             | 1,752,292                           | 30.46             | 700,967                                              | 12.19             | 318,684                             | 5.54              | 5,753,043    |
| 1909-11..... | 3,276,866                         | 52.42             | 1,808,525                           | 28.94             | 804,853                                              | 12.88             | 359,821                             | 5.76              | 6,250,066    |
| 1911-13..... | 4,112,170                         | 52.78             | 2,267,213                           | 29.10             | 854,220                                              | 10.96             | 558,086                             | 7.16              | 7,791,690    |
| 1913-15..... | 4,995,116                         | 55.13             | 2,539,165                           | 28.02             | 1,056,740                                            | 11.66             | 470,478                             | 5.19              | 9,061,499    |
| Totals....   | \$38,756,491                      | 49.96             | \$23,110,560                        | 29.79             | \$12,028,543                                         | 15.50             | \$3,685,170                         | 4.75              | \$77,580,765 |

<sup>1</sup>Including the Federal grants for educational purposes and the apportionments of the school fund.

This table shows an almost constant increase of appropriations for state purposes. About 50 per cent of them have steadily been made for educational purposes if we include the federal grants and the apportionment of the school fund. The state institutions other than educational have increased in number from two in 1867 to fifteen in 1913 and have on the average required about 30 per cent of the appropriations. During the past decade they have required a smaller percentage of the appropriations than during the preceding decade; yet the appropriations for their support have increased from \$1,594,320 in 1903 to \$2,539,165 in 1913. Sums voted for legislative, executive and judicial expenses have almost doubled during the same period, rising from \$633,336 in 1903 to \$1,055,640 in 1913.

**Growth of Local Expenses.**—But the state expenditures are relatively unimportant. According to the census the public expenditures in the state for the different governments were as follows in 1902:

|                                 | Amount       | Per Cent |
|---------------------------------|--------------|----------|
| State.....                      | \$2,152,771  | 18.28    |
| Counties.....                   | 3,930,373    | 33.36    |
| Cities over 25,000 population.. | 2,495,075    | 21.18    |
| Other minor civil divisions.... | 3,202,000    | 27.18    |
| Total.....                      | \$11,780,219 | 100.00   |

That is, 18.28 per cent of the public expenditures were made through the state and 81.7 per cent through the various local governments. The relative importance of state and local financial burden may be shown in another way. Of the total taxes charged in 1913 amounting to \$22,487,791, \$18,816,601 or 83 per cent were for local uses. No statistics are available for showing the growth of local expenditures. They have, however, grown more rapidly than the state expenditures.

**Where the Tax Burden Falls. The Assessment of Property by Classes.**—The total assessed valuation, and the amount and per cent of the total represented by real estate, personal, and railroad property from 1867 to 1913 are shown in Table VIII.

TABLE VIII

## TABLE SHOWING TOTAL ASSESSED VALUATION, AND VALUATION OF REAL ESTATE, PERSONAL PROPERTY AND RAILROAD PROPERTY, 1867-1914

| Year | Total Assessed Valuation | Real Estate Exclusive of Railroads and Purchasers' Interest in State Lands | Real Estate Percentage of Total Assessment | Personal Property Exclusive of Railroads | Personal Property Percentage of Total Assessment | Railroad Property       | Railroad Property Percentage of Total Assessment |
|------|--------------------------|----------------------------------------------------------------------------|--------------------------------------------|------------------------------------------|--------------------------------------------------|-------------------------|--------------------------------------------------|
| 1867 | \$20,069,222             | \$12,101,211                                                               | 60.32                                      | \$6,889,961                              | 34.31                                            | \$1,078,050             | 5.37                                             |
| 1868 | 32,632,550               | 16,876,781                                                                 | 51.72                                      | 15,755,769                               | 48.28                                            | .....                   | .....                                            |
| 1869 | 42,123,596               | 25,629,138                                                                 | 60.84                                      | 9,053,658                                | 21.79                                            | 7,440,800               | 17.67                                            |
| 1870 | 53,709,829               | 36,000,461                                                                 | 67.02                                      | 11,276,890                               | 21.00                                            | 6,432,478               | 11.98                                            |
| 1871 | 55,513,658               | .....                                                                      | .....                                      | .....                                    | .....                                            | .....                   | .....                                            |
| 1872 | 69,873,819               | 48,456,117                                                                 | 69.35                                      | 11,910,607                               | 17.05                                            | 9,507,095               | 13.60                                            |
| 1873 | 78,239,693               | 55,556,560                                                                 | 71.01                                      | 10,618,741                               | 13.57                                            | 12,064,392 <sup>1</sup> | 15.42                                            |
| 1874 | 80,754,044               | 52,946,609                                                                 | 65.57                                      | 16,624,321                               | 20.58                                            | 11,183,114              | 13.85                                            |
| 1875 | 75,467,399               | 50,363,052                                                                 | 66.74                                      | 15,335,823                               | 20.32                                            | 9,768,524               | 12.94                                            |
| 1876 | 74,178,645               | 50,023,706                                                                 | 67.44                                      | 15,140,233                               | 20.41                                            | 9,014,706               | 12.15                                            |
| 1877 | 71,311,579               | 46,833,647                                                                 | 65.67                                      | 16,130,096                               | 22.62                                            | 8,347,836               | 11.71                                            |
| 1878 | 74,389,536               | 47,875,908                                                                 | 64.36                                      | 17,943,241                               | 24.12                                            | 8,570,387               | 11.52                                            |
| 1879 | 75,359,799               | 47,391,781                                                                 | 62.89                                      | 18,813,541                               | 24.96                                            | 9,154,477               | 12.15                                            |
| 1880 | 90,499,618               | 53,850,447                                                                 | 59.57                                      | 26,705,978                               | 29.53                                            | 9,943,193               | 11.00                                            |
| 1881 | 93,142,457               | 54,279,362                                                                 | 58.28                                      | 26,118,531                               | 28.04                                            | 12,744,564              | 13.68                                            |
| 1882 | 98,537,475               | 55,638,619                                                                 | 56.46                                      | 28,022,006                               | 28.44                                            | 14,876,850              | 15.10                                            |
| 1883 | 110,543,645              | 61,700,259                                                                 | 55.81                                      | 32,542,401                               | 29.44                                            | 16,300,985              | 14.75                                            |
| 1884 | 123,615,887              | 69,715,109                                                                 | 56.40                                      | 36,122,887                               | 29.22                                            | 17,777,891              | 14.38                                            |
| 1885 | 133,418,700              | 77,139,596                                                                 | 57.82                                      | 37,744,315                               | 28.29                                            | 18,534,789              | 13.89                                            |
| 1886 | 143,932,571              | 84,634,653                                                                 | 58.74                                      | 39,730,620                               | 27.58                                            | 19,567,208              | 13.68                                            |
| 1887 | 160,506,266              | 96,353,839                                                                 | 60.03                                      | 40,546,015                               | 25.26                                            | 23,601,362              | 14.71                                            |
| 1888 | 176,012,820              | 107,031,866                                                                | 60.80                                      | 40,406,465                               | 22.96                                            | 28,574,489              | 16.24                                            |
| 1889 | 182,763,538              | 112,631,415                                                                | 61.63                                      | 40,457,226                               | 22.13                                            | 29,574,897              | 16.24                                            |
| 1890 | 184,770,305              | 115,360,973                                                                | 62.44                                      | 39,445,124                               | 21.35                                            | 29,964,208 <sup>2</sup> | 16.21                                            |

<sup>1</sup>Including the valuation of the telegraphs also.<sup>2</sup>Includes also the valuation of Pullman cars. Prior to 1889 no provision was made for the separate assessment of sleeping car and dining car property.

Assessed Valuation

TABLE VIII—Continued  
TABLE SHOWING TOTAL ASSESSED VALUATION, AND VALUATION OF REAL ESTATE, PERSONAL  
PROPERTY AND RAILROAD PROPERTY, 1867-1914

| Year      | Total Assessed<br>Valuation | Real Estate<br>Exclusive<br>of Railroads<br>and Purchasers<br>Interest in<br>State Lands | Real Estate<br>Percentage<br>of Total<br>Assessment | Personal<br>Property<br>Exclusive<br>of Railroads | Personal<br>Property<br>Percentage<br>of Total<br>Assessment | Railroad<br>Property<br>Percentage<br>of Total<br>Assessment | Railroad<br>Property<br>Percentage<br>of Total<br>Assessment |
|-----------|-----------------------------|------------------------------------------------------------------------------------------|-----------------------------------------------------|---------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|--------------------------------------------------------------|
| 1891..... | 183,138,286                 | 117,133,909                                                                              | 63.96                                               | 36,530,869                                        | 19.98                                                        | 29,423,458 <sup>2</sup>                                      | 16.06                                                        |
| 1892..... | 186,432,377                 | 119,873,279                                                                              | 64.30                                               | 37,124,864                                        | 19.91                                                        | 29,434,234 <sup>2</sup>                                      | 15.79                                                        |
| 1893..... | 194,733,125                 | 128,073,006                                                                              | 65.76                                               | 37,991,296                                        | 19.51                                                        | 28,668,823 <sup>2</sup>                                      | 14.73                                                        |
| 1894..... | 183,717,499                 | 127,060,781                                                                              | 69.15                                               | 28,642,349                                        | 15.60                                                        | 28,014,369 <sup>2</sup>                                      | 15.25                                                        |
| 1895..... | 171,468,207                 | 119,998,083                                                                              | 69.48                                               | 25,977,611                                        | 15.15                                                        | 25,492,513 <sup>2</sup>                                      | 14.87                                                        |
| 1896..... | 167,078,270                 | 116,294,386                                                                              | 69.60                                               | 25,307,015                                        | 15.15                                                        | 25,476,869 <sup>2</sup>                                      | 15.25                                                        |
| 1897..... | 165,193,736                 | 112,968,973                                                                              | 68.40                                               | 26,605,662                                        | 16.10                                                        | 25,619,101 <sup>2</sup>                                      | 15.50                                                        |
| 1898..... | 167,810,765                 | 111,568,720                                                                              | 66.49                                               | 30,066,808                                        | 17.91                                                        | 26,175,237 <sup>2</sup>                                      | 15.60                                                        |
| 1899..... | 169,105,905                 | 110,642,440                                                                              | 65.42                                               | 32,357,015                                        | 19.14                                                        | 26,106,450                                                   | 15.44                                                        |
| 1900..... | 171,747,593                 | 111,192,560                                                                              | 64.74                                               | 34,208,297                                        | 19.92                                                        | 26,346,736                                                   | 15.34                                                        |
| 1901..... | 174,439,095                 | 114,164,145                                                                              | 65.45                                               | 33,741,436                                        | 19.34                                                        | 26,533,514                                                   | 15.21                                                        |
| 1902..... | 180,091,492                 | 116,363,704                                                                              | 64.61                                               | 36,952,813                                        | 20.52                                                        | 26,774,975 <sup>2</sup>                                      | 14.87                                                        |
| 1903..... | 188,458,379                 | 120,208,842                                                                              | 63.78                                               | 40,964,591                                        | 21.74                                                        | 27,284,946 <sup>2</sup>                                      | 14.48                                                        |
| 1904..... | 294,779,245                 | 181,915,121                                                                              | 61.72                                               | 66,781,271                                        | 22.65                                                        | 46,082,853                                                   | 15.63                                                        |
| 1905..... | 304,470,962                 | 187,751,163                                                                              | 61.67                                               | 69,424,823                                        | 22.80                                                        | 47,294,976                                                   | 15.53                                                        |
| 1906..... | 313,060,301                 | 190,084,306                                                                              | 60.71                                               | 75,269,964                                        | 24.05                                                        | 47,706,031                                                   | 15.24                                                        |
| 1907..... | 329,413,349                 | 192,933,917                                                                              | 58.51                                               | 83,442,635                                        | 25.31                                                        | 53,086,797                                                   | 16.08                                                        |
| 1908..... | 391,735,464                 | 255,484,621                                                                              | 65.22                                               | 82,852,870                                        | 21.15                                                        | 53,397,973                                                   | 13.63                                                        |
| 1909..... | 398,985,819                 | 258,773,928                                                                              | 64.86                                               | 85,665,526                                        | 21.47                                                        | 54,546,365                                                   | 13.67                                                        |
| 1910..... | 412,138,607                 | 261,936,073                                                                              | 63.56                                               | 95,388,183                                        | 23.14                                                        | 54,814,351                                                   | 13.30                                                        |
| 1911..... | 415,670,075                 | 266,919,439                                                                              | 64.22                                               | 93,943,721                                        | 22.60                                                        | 54,806,915                                                   | 13.18                                                        |
| 1912..... | 463,371,889                 | 319,049,627                                                                              | 68.85                                               | 99,271,975                                        | 19.27                                                        | 55,050,287                                                   | 11.88                                                        |
| 1913..... | 470,690,414                 | 322,632,187                                                                              | 68.54                                               | 92,228,898                                        | 19.60                                                        | 55,829,329                                                   | 11.86                                                        |
| 1914..... | 471,933,972                 | 325,974,928                                                                              | 69.07                                               | 90,013,970                                        | 19.07                                                        | 55,945,074                                                   | 11.86                                                        |

<sup>2</sup> Includes also the valuation of Pullman cars. Prior to 1889 no provision was made for the separate assessment of sleeping car and dining car property.

The table shows that real estate has constituted a fairly constant proportion of the assessments upon which the ad valorem taxes have been based during the whole period. This class of property has been pretty generally in the neighborhood of two-thirds of the total. Personalty has shown greater variation than either real estate or railroad property. The effect of the administrative machinery provided by the act of 1903 is noticeable. The total assessment was raised in 1904, the first year under the new act, by \$106,000,000, or 56 per cent. But the increase was uneven. Sixty million of the increase was borne by real estate, an increase of 49 per cent; personal property was pushed up 60 per cent and railroad property 68 per cent. The relative proportions remained fairly constant during the next four years. The re-adjustment in 1908, when a new real estate assessment was made, gave a markedly higher percentage to real estate and this was still further increased by the assessment of 1912. Both personal and railroad property have represented a decreasing percentage of the total assessment since 1907.

**Causes of High Taxes.**—The increase of taxes shown in these tables is not peculiar to Nebraska. Since about 1885 there has been a marked increase in state and local revenues throughout the country and in fact throughout the western world. This growth has been especially marked during the last dozen years. On every hand the complaint is made of the increasing burden of taxation. For a quarter of a century writers on public finance have called attention, sometimes with alarm, to the growth of public expenditures. In the main, however, this increase is looked upon as a natural growth. The functions of government have been constantly widening; all the old services are continued; new ones are constantly being undertaken; and new and old are being conducted on a higher plane than formerly. Citizens are no longer content with mere room and convenience, but demand something of elegance, in their public buildings. They are no longer satisfied that their duty is performed toward the unfortunate wards of the state by providing them shelter and food, but feel impelled to make use of all the methods of modern science to remove their abnormalities and restore them when possible to the usual paths of life. Such expenditures, so far as they result in reformation and restoration to health, aside from humanitarian considerations, are properly held to be justified by their economic results.

The same is true of the recent tremendous increase in expenditures for education. There is no intention of placing education on a merely utilitarian basis, but such expenditures are in large part directed toward the development of those physical and intellectual powers of youth upon which industrial prosperity must rest. They are therefore looked upon not merely as the satisfaction of a claim which the individual has upon society but as an investment from which society secures a return in numerous ways. There is the same sort of justification for expenditures for the preservation of the public health and numerous other activities which directly or indirectly add to the producing power of the people.

**Increase of Expenditures and the Rise in Prices.**—This normal growth of expenditure due to enlarging the public services has been influenced by the change that has taken place since 1897 in the general price level. The continuous decline in the value of money has meant a "higher cost of living" for governments as well as for individuals. They have had to pay higher prices for materials for construction and supplies just as individuals have. Increases in public salaries have been made, though unevenly and probably not in the same degree that private salaries have risen. We have accurate data for one large class of public servants, the teachers in the public schools. There has been an increase in the average monthly wage for male teachers from \$46.25 in 1900 to \$79.02 in 1912; and for female teachers from \$36.90 to \$55.31 during the same period. This shows for the women teachers an increase of a little less than 50 per cent in average monthly wages. During the same time the index number of food stuffs has risen in the north central states of which Nebraska is one, from 102.5 in 1900 to 170.0 in 1913. It seems probable, therefore, that teachers' salaries have not risen as fast as the cost of living, while as stated above many salaries of public officials have not risen at all. The increase of expenditures due to the rise of prices will in time cease; but the conditions calling for co-operative activities through the state and local governments are likely to continue. This does not mean that the continued enlargement of the functions of the state is inevitable, but unless there is a marked change in the prevailing political philosophy, and of such change there is now no sign, these functions will continue to be enlarged and they will demand a continued increase of the public revenues.

**The Outlook; Need of Reform.**—The foregoing statistics show what has been the course of public expenditures and the tax levies during the last thirty or forty years and indicate what may reasonably be expected in the future. Attention is called particularly to the great increase in the levies since 1902. While the population has been increasing at the rate of about 12,000 a year the ad valorem tax levies have been increasing at the rate of about \$1,000,000 a year; or, to put the situation in the form of percentages, the population has increased at the rate of but little more than one per cent a year, the ad valorem levies have increased at an annual average of about 12 per cent per year. The comparative growth of taxable wealth and the levies has been indicated above. Such a remarkable over-reaching of the population and wealth of the state by the tax levies cannot of course continue indefinitely. But services already undertaken will doubtless be continued and even though no others be undertaken at the public expense, the cost of maintaining this is certain to increase.

In this situation two lines of action are clearly demanded:

First, a more efficient control of expenditures in the state and the local governments.

Second, a fairer and more equitable adjustment of the tax burden. It is with the second phase of the revenue problem that this Commission is especially charged; but the control of expenditures is so closely connected with the raising of revenue that a brief discussion of that subject will not be inappropriate.

**1. Better Control of Appropriations.**—The amount of the expenditures authorized by the various legislative bodies, state and local, vested with power to make appropriations of public funds, determines the amount of taxes to be raised. Economy in financial management must, therefore, begin with the appropriations. Every one knows how difficult it is to control expenditures under any system where representatives are given power to determine how much public money shall be raised and for what purposes it shall be spent. It is one of the most perplexing problems connected with the administration of the federal finances, it shows itself in every session of the legislature, and is constantly present in all the representative local governments. From the point of view of organization the most important defect in our financial methods lies in the great diffusion

of authority, and therefore of responsibility, in financial matters. Thus, the responsibility for the amount and direction of expenditures is divided between two chambers. The appropriation bills originate in the House, not with one committee, but with eight committees, each seeking to get as much as possible for the services under its care. These committees rely upon heads of departments, bureau chiefs and superintendents for estimates of the needs of the various services. All these estimates pass through the office of the secretary of the treasury but he has no power to modify them for any department except his own. No person or body of persons is responsible for the estimates as a whole or for determining the relative importance of the demands made upon the treasury. This is left to be worked out by the eight committees having power to prepare appropriation bills. Their conclusions are subject to amendment by the House on the motion of any member, and the action of the House is subject to revision by the Senate. Moreover, an independent committee is charged with the task of putting into form legislation for providing the ways and means of meeting the appropriations. Consequently in the management of federal expenditures there is no such thing as centralized control, no officer or group of officers charged with the duty of keeping income and outgo together and determining the relative amounts to be expended for different purposes; in a word, no way is provided for fixing responsibility in financial matters except in the most general and ineffective way upon the "party in power" or the "administration."<sup>1</sup>

The state government works under the same kind of system, or rather lack of system. Estimates of the amounts needed for the next biennium have heretofore been filed with the State Auditor by heads of departments, superintendents of institutions, heads of commissions, boards, associations, surveys and other state

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<sup>1</sup> That those connected with the management of the federal finances are awake to the serious defects of our system is shown by the repeated efforts at reform in recent years. The following from a speech in the House by the chairman of the Ways and Means Committee in September 1914 is significant: "It has been my opinion for years, and it is now, that the only way we can work out economy and efficiency at the same time is for the government to centralize control of appropriations in control of one committee in the House and in the Senate, or by adopting a budget system that will have control over all committees; and I believe that the day is not far distant when such a system will be inaugurated. . . ."

services, seventy or eighty in number, which look to the legislature for support. The estimates for the state institutions will hereafter be filed by the Board of Commissions in charge of them. The function of the Auditor is purely clerical. He simply arranges these estimates for submission to the legislature in such form as to make possible a comparison of the sums appropriated for the last three or four bienniums with the sums asked for. The Auditor also presents an estimate of the revenues based on existing laws. He has no power to make recommendations concerning either revenue or expenditures. The task, therefore, of providing for the numerous needs of the state devolves upon the legislature, meeting for a period of sixty days, overwhelmed with a mass of general legislation, to determine upon the expenditure of six or eight millions of dollars and apportion it to various state services often in the minutest detail. It is a task no legislative body meeting once in two years for a short term can adequately perform. Hearings may be held, junkets may be arranged for, reports may be studied by a few; but in the end the legislature is compelled to accept the recommendations of heads of departments and superintendents and the sums asked for are granted and placed at the disposal of the executive officers.

This complete separation of the executive and the legislative branches of government is one of the peculiar features of American institutions and is the cause of many of our financial difficulties. In many European countries financial administration is organized on sounder principles. In England, for instance, from which our own institutions were chiefly inherited, the evolution of two centuries has brought the executive and legislative branches closer together till now they are practically one. The same situation exists in the Canadian governments both dominion and provincial. The chief heads of departments are also members of the legislature. They constitute "the government." They decide upon the needs of the public service and ask for appropriations sufficient to meet them. They also propose plans for raising the necessary revenue. This comprehensive plan for expenditures and revenues for the year constitutes the budget. It is presented to the legislature by the finance minister as "the government's program for the year." While the ministry's plan is open to discussion and criticism, any important modification of the program by the legislature

would be regarded as a vote of "want of confidence," the ministry would resign and a new ministry would be called to present a program in conformity to the wishes of the majority. Bills carrying appropriations for public purposes are not brought in by private members at all, and only the leaders of the "opposition" think of proposing amendments to the government's program. Under such a system income and expenditures are kept together with remarkable precision; all the services are looked upon as one great undertaking and a balance is preserved between them in the general public interest; and the administrative officers who devise the program and carry it through the legislature are also charged with the duty of executing it. Such a centralized control over expenditures appears on first examination very undemocratic; but as it operates in countries where the people are steady enough politically to use the system, it has proven very responsive to the popular will. It offers no opportunity, it is true, for the individual legislator to secure an appropriation for "his district" by log-rolling or otherwise. The government's plan must be accepted or rejected as a whole or with but slight modifications. No increase of appropriations can be made at all except on the initiative of the ministry and no important decreases would be tolerated since that would require a change in the program.

This system of responsible government furnishes the most efficient means of controlling the finances yet devised in democratic countries. If it could be adopted here it would undoubtedly remove many grave evils in our financial system. But the American theory of a separation of the executive and legislative branches and the practice of electing officials for a fixed term, stands in the way of adopting the British system here. That system has been an evolution and any effective system of financial control that may be worked out here must come by the same process. A form of semi-responsible government is being developed in our cities through the adoption of the commission plan. Doubtless something similar to the commission plan will be experimented with soon in our county governments, and proposals are not wanting for applying the principle to the state governments.

Meanwhile some progress has been made in Nebraska toward centralizing control over estimates for state institutions by the creation of the Board of Commissioners of State Institutions,

popularly called the Board of Control. Fifteen institutions have been placed under that Board. They required appropriations in 1913 amounting to \$2,539,165 or 28 per cent of the total state appropriations. It will be a great gain for efficient control of the finances of these institutions if the Board shall be made the sole spokesman to the legislature for them. The same principle should apply to interests under the control of the Regents of the University and of the State Board of Education. If the zeal of members for expenditures in their district is not promptly and effectively restrained by the legislators, the value of the Board acting as an impartial body in determining the relative needs of the services under its management, will be greatly impaired.

In the search for some official upon whom to place the duty of presenting to the legislature a unified program for the administration of the state government the Joint Committee on Legislative Procedure has concluded that the Governor can best perform that task. That Committee makes the following recommendation:

“The governor represents more completely than any other officer the general administrative policy of the state. Upon his character and ability more than upon any other one person depends the success of the state government. We believe it should be made his duty to prepare and recommend to the legislature the budget of necessary expenses and income upon which he is willing to stake his judgment and reputation as the chief executive officer of the state.”

Such an arrangement cannot of course be expected to accomplish all that is to be desired in the reform of financial administration; but, that much good may be accomplished through it by energetic governors, especially by those serving a second term working in close co-operation with the Board of Control, the University Board of Regents, the State Board of Education and the heads of the various departments, can hardly be doubted. It must be remembered, however, that a governor just coming into office is as helpless as the legislature itself in passing upon details of policy and expenditure for the varied interests of the state. He can in no sense take the place of a finance minister in a genuine budget system.

The defects of the financial organization of the state government and the proposals for reform in that field have been dwelt upon because the evils of loose administration from their spectacular character have attracted wide attention. But as shown above the state's expenditures are relatively unimportant compared with those of the local governments and opportunities for introducing economies are correspondingly small. Tested by the tax levies the local governments are on the average seven times as important as the state government; and in cities where the levies often run up to 100 mills or more of the assessed valuation, the local governments are fourteen or fifteen times as important, from the tax-paying point of view, as the state government. The great field for economy in financial administration lies, therefore, in the governments nearest to the citizen. It is a commonplace, however, that citizens know less about the finances of these governments than they do of those farther from home. There is in fact a strange lack of interest in the local finances. This is due to a variety of causes which need not here be discussed. But it may be safely stated that efforts to check the growth of the tax burden that are not chiefly directed toward a study of local expenditures will largely fail of its end.

At the Denver meeting of the National Tax Association held in September, 1914, the report of a committee on economy and expenditures was read, the recommendations of which we give below as a conclusion of this discussion. These recommendations meet fully the approval of this Commission:

"To accomplish this result (more efficient financial control) it is necessary to overcome the existing indifference of the electorate and then to ascertain where economies can be effected and how successfully introduced. To these ends we recommend:

First, that this association adopt a resolution urging congress to direct the census bureau to publish annually for a selected group of states, counties, towns, villages and cities, statistics of expenditure, taxation, public debt and wealth, including in this group—similar to the registration area used in vital statistics—those states and political subdivisions whose financial accounts are published promptly and in such form as will permit of consolidated statement.

Second, that a resolution be passed urging every state legislature which has not already done so to require all political subdivisions to publish annually a brief statement showing the increase or decrease in expenditures, receipts, taxes and public

debt; and that to this end (a) a member of the National Tax Association be appointed in each state to work for such legislation and (b) that this committee be continued in order to keep in touch with these representatives, supply them with laws passed in other states, and such suggestions and assistance as it may be possible to render.

Third, to measure the governmental performance and ascertain where economies may be introduced. National and state governments should establish bureaus of efficiency properly manned and equipped. Their activities may wisely be supplemented by the work of private efficiency bureaus, taxpayers' associations and the like. The public efficiency bureaus referred to may be associated with the legislature or chief executive department or given a quasi-independent status as a separate commission—as the circumstances of particular times and places may require—but they should be so constituted as to have the freest access to public offices, do their work continuously, and have their recommendations treated as other than mere academic proposals. They must be made an integral and permanent part of government, bent upon reducing cost.

Fourth, to make such bureaus effective modern government must be simple and the existing diffusion of power and responsibility corrected. A short ballot, and those modifications which logically go along with it, should be introduced. A single legislative chamber, reduction in the number of elective executive officers, closer relationship between legislative and executive departments of government, a budget which emphasizes the spirit but wastes no time and effort on the form of this procedure—are probably all necessary accompaniments of any movement permanently to reduce public expenditures and increase public efficiency.

Fifth, to get these movements under way and overcome existing indifference, a systematic propaganda for the betterment of existing conditions along the lines named should be introduced. Such a movement can offend few, if any, persons or interests worth considering. Practically every one agrees that whatever functions the government undertakes should be performed as economically as possible. We recommend accordingly the organization of a national taxpayers' efficiency association—or the assumption of this work by the National Tax Association—designed to awaken the people to the menace involved in the growth of expenditures, secure the publication of simple understandable statistics on this point, point out where economies may be effected, inform civil divisions in particular of the bureaus or agencies from which they may secure expert help in reorganizing their accounts and reducing cost, and in short to spread and strengthen by concentrating the work now being developed by the public and private efficiency bureaus already in existence.

The National Assembly of Civil Service Commissioners has already adopted a resolution recommending the creation of a central agency or bureau to supply information and expert assistance to the various civil service commissions throughout the country. This resolution further recommended the consolidation of such a bureau with a national efficiency bureau and the close co-operation of local efficiency bureaus and civil service commissions.

It is not desired to interfere or compete with this work. The essential task of the taxpayers' association referred to would be to awaken a demand for such work. A widespread desire for greater economy and generous public support of those changes necessary to effect economy are quite as necessary and even more difficult to achieve than the technical work of introducing economical organization and operation itself. Such work can, profitably to the taxpayers of this country, be undertaken by this association or some allied body.

Finally we recommend the adoption of tax limitation laws similar to those existing in the state of Colorado. Such laws should contain in substance provisions similar to the following:

(a) The taxes levied by any political subdivision should not exceed those of the preceding year by more than, say 5 per cent except in cases of emergency.

(b) Whether an emergency exists shall be determined by some independent body, such as the courts, state tax commission, or board consisting of the principal elective state officers.

(c) In cases of emergency an increase in taxes not to exceed, say, 15 per cent may be authorized by the above board or agency.

(d) But any increase beyond the limit last named must be ratified by referendum vote within the political subdivisions concerned."

**2. Adjustment of the Tax Burden.**—It cannot be said, however, that the taxes in Nebraska constitute a grievous burden at the present time. The average levy of 47.25 mills for the year 1913 may on its face seem alarming. But accepting the "actual value" found by the assessors as the true value, this apparently high levy amounts to but \$9.55 per thousand. It is well known, however, that the "actual value" of the assessors does not represent the true value of the property listed. The rough estimate given above of true value would make the ad valorem taxes amount to but \$7.40 per thousand. It is quite clear that the chief difficulty with the taxes is not that the average burden is too great, but that it is not properly apportioned. Here lies confessedly the most difficult problem in the realm of public finance. We make no claims of having reached a satisfactory solution of

it; but we believe that if the recommendations made in the following chapters are adopted by the legislature the result will be in the direction of a much fairer distribution of the burden of supporting the government.

## CHAPTER II

## THE PRESENT REVENUE SYSTEM

**Requirements of a Good Revenue System.**—It is impossible fairly to consider the present revenue system of the state of Nebraska, without first adverting to the general characteristics of a good revenue system. It will be conceded by all, that a good revenue system should, among other things, perform the following functions, to-wit:

1. Provide for a fair and equitable levy.
2. Provide for prompt and economical collection of the necessary revenue.
3. Provide for direct and certain means of expenditure and distribution after collection.
4. Provide for the taking of no more than the necessary toll from the people, and at times most convenient to the tax payers.
5. It should be elastic enough in its terms as to limitations of levy, use of funds and forms of administration, not only to cover standard needs and usual demands, but also to meet ordinary emergencies.
6. It should by its own terms, compel efficient administration, so tempered with fairness and impartiality as to secure the law itself against resentment, opposition and evasion so far as it is possible to do.

**System Prior to 1903.**—Measured by the above requirements, it is clear to most minds that the present revenue system in the state of Nebraska is seriously deficient. During the past decade, since the enactment of the revenue law of 1903, the best friend of that measure would have to confess to failure and disappointment in all of the above required details. The old revenue law, adopted when the state was young, was of course unfitted for the larger growth and development that followed in the first generation after its adoption. The law was poorly administered, property was taken for assessment in various counties at anywhere from one-fourth to one-tenth of its actual value. The collection scheme was a failure. Tax deeds to real estate were void. Every municipality, school district and sub-division might have money in one pocket and be bankrupt in all others.

Dissatisfaction, unrest and strife developed under its operation. In 1897 and 1899, the state association of county commissioners and supervisors urged the legislature to amend the law radically for the correction of existing abuses; to provide for just and equitable methods, and to equalize the tax burden as far as possible. The Pollard bills of 1897 and 1899 were aimed in that direction but were defeated and it was not until 1903 that a legislature was willing to give the time and labor necessary to make what may be called a complete revision of the law. Our present system consists of the Act of 1903, with a few amendments that have been since adopted. We shall proceed to consider that system as it exists at this time.

**The Act of 1903.**—The chief features or characteristics of the present system which stand out in bold relief are about as follows:

1. That all property not expressly exempt is subject to taxation, but while listed at its actual value, it is only assessed at 20 per cent or one-fifth of its actual value.

2. All kinds of property are treated as of the same economic significance for purposes of taxation.

3. That the law separates the general or personal property tax from the taxes on real estate and declares the same to be a lien at a different date and provides for the same drawing interest from a different date and for different methods of enforcement.

Under the present system, the taxes on real estate become a lien against the property on October first of the year in which they are assessed, while personal property taxes do not become a lien until November first of the same year. Real estate taxes do not draw any interest whatever until May first of the year following their levy; personal property taxes draw interest from and after December first of the year in which they are levied and the distress warrant system is used for their collection and enforcement. Under our system general taxes become the first lien on property, while special assessment or local improvement taxes are secondary liens. The administration locally, is ordinarily through a county assessor, although the law permits the abolition of the county assessor. Two theories now have enthusiastic adherents in the matter of making local assessment. There are many who still contend that the precinct or township assessor ought to be elected in order to preserve local autonomy

or home rule, but the better view seems to prevail that administration under appointed deputies will inevitably result in more uniformity, more intelligent valuation and in general a more just and equitable assessment. The appointive system for local deputy assessors had hardly been tried out in this state until the law was changed and required the election of deputy assessors every two years, and providing that vacancies could be filled by appointment by the county assessor and the county board. Where the local assessor is elected instead of appointed, it seems that the rule obtains that his supporters at the election expect him to see that his precinct or township is assessed on the lowest possible basis and there is therefore, a kind of competition among the assessors of the various precincts or townships in each county in which the officer seeks to merit re-election or promotion in office by convincing his constituents that they have been assessed for the lowest possible amount. It is not probable that the local man has any particular advantage in the way of knowledge or information which can not readily be obtained by the appointed deputy and while the law does not place any precise penalty upon undervaluation, the local valuation and assessment will always be lacking in uniformity and fairness until the machinery is organized so that each county, under the direction of a state tax commission, can obtain and if need be, compel absolute uniformity in the valuation of land and personal property. Special attention was given in the enactment of the present law to the taxation of insurance and surety companies, corporations, railroads and car companies and other public service or quasi public service corporations and associations. The law as it now exists is claimed to be unsatisfactory by each and all of the representatives of such interests, while on the other hand the common people and plain tax payers maintain that these interests should be taxed more heavily than they are at present.

**Objections to Present System.**—It would be impossible in this short chapter to detail the many objections and criticisms found to the present system, but a few may be mentioned here for the purpose of showing how a new revenue law within the short space of ten years, became a pronounced failure. With one accord the officers and the tax payers state that the present law is inadequate for the purpose of getting intangible property, credits, moneys on deposits and in hiding in sundry places. It

is likewise urged that the exemption of household personal property should be permitted so that the non-productive property necessary for each and every family may be relieved from taxation. Under the present law there is but little exempt and this consists of the property of the state, county, the municipal corporations and such other property as may be used exclusively for agricultural and horticultural societies, religious, cemetery and charitable purposes. In addition to this, deductions may be made on account of easements for highways, etc., depreciating property and a further exemption is allowed in that the value arising from live fences, forest trees, etc., planted on lands shall not be taken into account.

A large portion of the tax paying public believes and signifies its desire to have at least \$200 in household goods and furniture exempt to the head of the family from taxation. The Commission believes this worthy of consideration by the legislature in the event of the adoption of the Norton amendment, which will permit reasonable exemptions to be made.

Another defect that should be removed is the provision for a fractional assessment. There seems no sufficient reason for assessing property at one-fifth of its value.

Every economist and student of taxation has seemingly reached the conclusion today that real estate and personal property should be assessed at its full value and to bring that about without damage or injury under the present system, we should have an amendment to the constitution making reduction in the maximum mill levy so that excessive taxation would not be imposed upon the increased assessed valuation when passing from a 20 per cent assessed valuation to a 100 per cent valuation. Personal property taxes in the language of many critics should become a lien the same as real estate taxes, from October first, and the law ought to be amended accordingly. General criticism has been aimed at the present system on account of its requiring all taxes to be paid in one installment. Many states have successfully adopted a law whereby taxes may be paid at the option of the taxpayer in two installments, at such times of the year as may be suitable and in accordance with the needs of the county and state for the money. A distinct improvement could be made along this line. County treasurers are criticised for withholding remittances to the state treasurer; not more than a half dozen

county treasurers now remit monthly. The state law at the present time appears to provide only for remittances twice per year or when required to report by the state treasurer. We recommend *that all county treasurers be required to report and remit by the fifteenth day of each calendar month.*

The powers of the county assessor, the county board of equalization and those of the state board of equalization are limited and inadequate. These powers should be greatly enlarged and strengthened by the adoption of a law which will provide for a state tax commission with powers and a jurisdiction similar to those enjoyed by the tax commission of the state of Kansas. This subject is dealt with elsewhere, and when taken in connection with county assessors being permitted to appoint the local deputy assessors, would work out an administrative machinery with authority and jurisdiction sufficient to promptly meet and solve most perplexing problems of taxation. Many other criticisms may be justly made of the present system, but as the various chapters of this report deal with many of them specifically, it will be sufficient to here record the fact that the law of 1903 as amended and now in force, is not generally satisfactory to public officials, to tax payers or the people at large, and that it does not provide a fair and equitable levy; that it is inadequate as to means and methods of collection and distribution; that the machinery of administration is faulty and defective; that bookkeeping and statistics necessary to give concise information to the inquiring tax payer are not to be found and that authority is so scattered and decentralized under the present system as to leave the law itself without means of enforcement.

## CHAPTER III

### THE GENERAL PROPERTY TAX

#### I. THE CHARACTER AND THEORY OF THE TAX

The mainstay of the Nebraska revenue system is the general property tax. The Constitution of 1875 requires that all persons natural and artificial shall pay taxes in proportion to the value of their property. The rate is the same for all kinds of property. These are the essentials of the general property tax—the uniform treatment of all kinds of property regardless of its character. How great the reliance upon these uniform *ad valorem* taxes is will be seen by an inspection of the sources of revenue within the state. In 1902, according to the United States census figures, the total revenue receipts for state and local purposes amounted to \$11,665,181. This included taxes, fees, fines, earnings of institutions, interest and other commercial revenues. Of this amount \$8,367,298 came from taxes; and of the tax revenues, \$7,976,188, or 93 per cent, came from the general property tax. Since 1902 some new forms of taxes have been resorted to, such as the capital stock tax and the inheritance tax; but the dominant position of the property tax has not been materially changed.

This state is not peculiar in relying upon this form of taxation. The general property tax developed and became firmly established during the colonial period of our history, when there were but few kinds of property, practically all of it tangible, and the burden of taxes was light. The older states inherited this revenue system as they did their other institutions; and it was natural for the new states as they were created to adopt the methods of the older states for raising revenue. In due time Nebraska adopted it and it has persisted to the present day with but slight modification.

Under primitive industrial conditions, the *ad valorem* system was a fairly equitable method of apportioning the tax burden. But with the economic development of the country, the rise of corporations with their issues of vast amounts of securities, the growth of the credit system, the multiplication of ways of secur-

ing an income with little or no use of property, and with the expansion of state functions and the demand for increased public revenue, the general property tax has become wholly inadequate. Scarcely a tax commission or writer of repute on tax matters within the last quarter century has discussed the general property tax without condemning it, under present conditions, as wrong in theory and pernicious in practice.

**It is Unsound in Theory Because:** 1. It assumes that tax-paying ability increases in exact proportion to the amount of property owned; while it is generally true, other things being equal, that a man's ability to bear public burdens increases more rapidly than the size of his accumulations. This principle is recognized in the taxation of incomes by making liberal exemptions and by applying progressive rates to the higher incomes. If taxes are to be imposed on the basis of possessions, there is no logical reason why higher rates should not be laid on large accumulations of wealth; though as a matter of practice in administration small accumulations bear a heavier burden proportionately than the larger ones.

2. The general property tax assumes that all kinds of property are of the same economic nature. It treats land, household goods, productive machinery, and securities as of equal significance of the owner's ability to support the government.

3. It disregards the important fact that taxes do not always stay where they are imposed; that in many cases they are "shifted" from person to person in a most uncertain way. Just as the customs and excise duties collected by the federal government are shifted to the consumer through an increase in price, so property taxes on merchandise and the machinery of production or on the privilege of carrying on business, where they are uniform and universal, are shifted to the consumer. The taxation of the merchant or the manufacturer, therefore, under the conditions named, becomes essentially a convenient method of collecting "at the source," taxes on the users of commodities in proportion to the amount they consume. A tax on the value of land, on the other hand, stays where it is placed. It cannot be shifted to the renter; it cannot be shifted to the consumer of the products; for the tax does not affect the cost of production in such a way as to cause the price of the product to rise. The owner of the land must pay the tax. He cannot shift it to others.

From another point of view, however, the owner of land is in a favored position: The taxes imposed on the land when he bought it is no burden whatever to him; for the price he paid was less than he would have paid but for the tax, by an amount equal to the tax capitalized at the current rate of interest. The landowner must bear the burden of taxes laid while he owns the land, but previous owners cannot pass their burden on to him and he cannot pass new burdens on to future purchasers. This truth is sometimes expressed by saying that the "selling value of land is an untaxed value." Of course, this principle applies to other forms of property yielding a permanent income as, for example, a ninety-nine year bond. To sum up: A tax on merchandise tends to increase its price; a tax on the value of land or other permanent source of income lowers its price.

4. It assumes a constant ratio between the value of the property in a concern and its earning capacity. The falseness of this assumption is clearly seen in such monopolistic undertakings as the express business where the value of the property employed is no index of income. But in competitive businesses, wide differences exist between the value of the property used and the income derived. The recognition of this fact has led taxing authorities to seek ways of reaching the "intangible" or "franchise" value connected with prosperous businesses, not shown in the value of the tangible property. Again there are large classes of persons in the professions and in business, who employ relatively little capital while enjoying comfortable incomes, and under our present system escape their just share of the tax burden.

5. The general property tax assumes that securities representing investment in industry are "property" in the same sense that lands and factories are. Some of the most perplexing problems in taxation have grown out of this assumption. If a property worth \$5,000 is mortgaged for \$3,000 it is assumed that the assessable wealth of the community has been increased to \$8,000. In such cases or where under a corporate organization shares of stock are issued, the tax paying ability of the parties concerned is not increased as is assumed when we treat mortgages and stocks as "property" in an economic sense.

**The General Property Tax is Vicious in Practice.**—In practice the operation of the general property tax is vicious. The literature of taxation abounds in illustrations of the evils of

that system. Every observant person is aware of them. These evils result mainly from the attempt to raise practically all public revenue by means of ad valorem taxes, and especially from the attempt to impose the same rate upon all classes of property. When the tax burden rests on a single base, like that of the value of property, the administrative machinery is put to a severer and severer test as the burden increases. As the levies increase there is new need of full and accurate assessment. One prolific reason for complaint in this state is that improvements in methods of assessment have not kept pace with the growing need for accuracy. Many of the evils of the system may easily be remedied as experience has shown, by perfecting the machinery of taxation. This we shall discuss more particularly in connection with the real estate taxes and with proposals for administrative changes. Some evils, however, are due to inherent defects in the system, which no administrative device is likely to overcome. They show themselves chiefly in dealing with those forms of personal property which by reason of their easy concealment are called "intangibles," such as securities, money, and credits. To the consideration of the problems involved in this part of the general property tax we now turn.

## II. THE TAXATION OF INTANGIBLE PROPERTY

The testimony in every state where the attempt is made to tax intangible property at the rates imposed on other property shows that the law fails. It fails in two ways: It fails to secure more than a small fraction of the revenue designed to be secured, and it fails to distribute equitably the burden of such taxes.

The failure to uncover intangibles for purposes of taxation is not confined to states where there is a lax administration of the tax laws. In Massachusetts where the sense of respect for law is probably as strong, and the administration of the law is as efficient as anywhere in the Union, the special commission of 1908 estimated that not above 10 per cent of the taxable intangible property was placed on the assessment roll. The Tax Commission of Minnesota a few years ago estimated that about that proportion of intangibles was found by the assessors in that state. Similar estimates have been made elsewhere. Certainly a tax which produces only one-tenth of the revenue it was designed to produce may properly be called a failure.

Consequences more serious than the loss of revenue follow such a failure. Even where the tax succeeds under such conditions in securing a limited revenue it fails from the point of view of justice, for where so large a volume of a given kind of property escapes taxation, the rate of return on investments in it is fixed on the basis of practical exemption. Only those of tender conscience or those unacquainted with the various devices for concealment pay the tax; and those who pay have the price of their property and the income from it fixed by the practice of those who do not pay the tax. A committee of the National Tax Association reporting in 1910 upon the reasons for the failure of the general property tax, in discussing this phase of the subject well said:

“The investor in securities usually pays a purchase price which is fixed in a country-wide market, and is calculated on the assumption that the investment will escape taxation, and that the whole income will therefore be net. Where by spasmodic enforcement of the law, or disclosure of personalty in a probate court, securities that bear say 4 per cent interest are made subject to a tax of 2 or 3 per cent on their market or face value, the moral sense revolts at this practical confiscation of so large a share of the income.”

It is little wonder that under such conditions, tax payers, smarting under a sense of injustice, evade the tax wherever possible, or that the assessor makes the evasion easy, as he often does. Everybody who has given the matter serious consideration is aware of the demoralizing effect of a law which drives right-minded citizens to ignore it so generally that its voluntary observance has come to be looked upon as an amiable eccentricity, and leads tax officials to wink at evasion. What is the practical way out of such a situation?

There are three courses that may be pursued with respect to intangibles:

1. Strengthen the administration of the law with a view to compelling disclosures.
2. Exempt such property from taxation; and
3. Classify personal property, placing intangibles in a class by themselves and subject them to a lower rate than is imposed on other property.

We shall consider each of these plans in turn.

## I. STRENGTHENING THE ADMINISTRATION

Those who argue in favor of strengthening the administration of the tax laws usually have in mind finding some way of compelling the listing of intangibles. The suggestions most frequently made before the tax commission for improving the revenue system have been in this direction: Empower the assessor to examine the books of banks with a view to reaching deposits, it is urged; or require notes and mortgages to be stamped "tax-paid" in order to render them collectible; or authorize the employment of "tax ferrets" to uncover money and credits. Bound down as the legislature is by the present constitution in matters of taxation, it is not strange that hardly a session passes but bills looking in this direction are up for consideration. And yet no truth has been more firmly established by experience everywhere than that such devices in the end fail of their purpose. To be sure by means of them a temporary show of success might be made; a certain number of tax-dodgers might be "caught" and an increase of revenue secured. Everybody could see this. But not everybody would have the patience to watch the continued operation of such laws, to follow the subterranean methods by which business transactions would be carried on by the informed, ownership concealed, investment shifted or interest rates raised, and in the end the law brought to naught.

The best illustration of the operation of stringent legislation for reaching intangibles is found in Ohio. That state has long had much the same stringent provisions with regard to declaration, oath, penalties, etc., which were made part of our act of 1903; and in addition since 1881 it has had, until recently, a tax ferret law which gave authority to the county commissioners in any county (since 1888) to contract with such parties as might give information leading to the placing of personal property on the tax rolls. The incentive to these so-called "inquisitors," was a share—twenty or twenty-five per cent of the taxes on the property uncovered, for doing what it was the duty of the regular tax officials to do. Many spectacular disclosures were made and many who were not attacked by the inquisitors no doubt listed property which, but for the system, they would not have listed. During the four years 1893 to 1896, for example, an average of

about \$20,000,000 was added to the rolls by inquisitors. And yet the law as an effective means of securing the listing of money and credits proved clearly a failure. The following table covering a period when there must have been a great growth in these forms of property, shows in millions of dollars the amount of money, credits and stocks and bonds listed for taxation:

| Year      | Value of All Money in Possession or on Deposit | Value of Credits After Deducting All Bona Fide Debts | All Moneys Invested in Bonds, Stocks and Joint Stock Companies or Otherwise |
|-----------|------------------------------------------------|------------------------------------------------------|-----------------------------------------------------------------------------|
| 1881..... | \$40,600,000                                   | \$101,100,000                                        | \$8,600,000                                                                 |
| 1885..... | 34,300,000                                     | 107,600,000                                          | 8,500,000                                                                   |
| 1890..... | 36,400,000                                     | 111,400,000                                          | 8,000,000                                                                   |
| 1895..... | 36,900,000                                     | 106,400,000                                          | 7,800,000                                                                   |
| 1900..... | 47,600,000                                     | 86,900,000                                           | 8,700,000                                                                   |
| 1906..... | 59,900,000                                     | 77,200,000                                           | 10,800,000                                                                  |

These figures indicate that but a fraction of these forms of property was secured under what has been regarded as an extremely severe law. The facts disclosed, and a knowledge of the unequal operation of the tax led the Ohio special tax commission of 1908 to the following conclusion:

"The widespread concealment of intangible property, increasing in amount year by year, is the most convincing proof of the failure of the general property tax. It shows that after more than fifty years of experience, with all conceivable methods in the way of inquisitor laws, severe penalties, and criminal statutes, designed to force the owners of moneys and credits, stocks and bonds, to put their holdings upon the tax duplicate, not only is the percentage of such property less than ever before, but public sentiment seems to be more and more openly approving an evasion of the law. Such a condition of affairs is so manifestly wrong and so inimical to good government that its longer continuance is a grave injury to the state."

The experience of Iowa with the ferret system has been shorter, but much the same as that of Ohio. It has been abandoned in both these states and will probably never be restored. Ohio, however, has not abandoned its purpose of compelling the listing of money and credits. In its annual report for 1912, the Ohio Tax Commission recommended a system of highly centralized control of assessment as a new line of approach to this and other problems in the valuation of property. These recommendations were adopted by the legislature of 1913 in the so-

called Warnes Law, to be discussed in another connection (p.00). It may here be said, however, that the Tax Commission has estimated that the assessment of 1914 "will result in an increase of approximately two-thirds of a billion dollars in the valuation principally on intangible personal property." Whatever may be the permanent outcome of the effort to reach this most troublesome class of personal property, there can be no doubt of the superiority of Ohio's present plan over the old ferret system.

## II. THE EXEMPTION OF INTANGIBLES

The argument for the exemption of intangibles proceeds along two lines, the practical and the theoretical. The failure thus far to devise any means of uncovering such property fairly and adequately without serious derangement of business, it is claimed is sufficient reason for giving up the attempt. But it is argued that the chief reason why evasion is so general with respect to these forms of property is that to tax them in any manner is a rank injustice. If a full assessment of all such property were made the rate of return on the investment would rise for all and one source of inequality would be removed. But even then corporate property and encumbered property would be required to bear a double burden of taxation. The creation of a corporation, e. g. for carrying on an enterprise does not create any legitimate source of public revenue. It may be a great convenience to "incorporate" in order to build a \$10,000 co-operative elevator, but the division of the property into shares of \$100 each and the issue of certificates of ownership therefor adds nothing to the wealth of the community or of the owners of the property. The owners of the elevator and of the stock are the same persons. If their assessment is to be doubled as it is where both the property and the capital stock are listed for taxation, a disproportionate burden is placed upon the owners of corporate property. Here is a clear case of "double taxation."

This fact is recognized in some states which by law exempt shares in domestic corporations. Where the law does not specifically exempt such shares, the courts by judicial interpretation, or the assessors by administrative construction usually do. The Nebraska law (Sections 6313 and 6314 R. S. 1913) seems to require the taxation of shares in the hands of the stockholder unless the same have been "listed and taxed" in the principal

place of business of the corporation. The practice, however, is to treat shares of domestic corporations as exempt in the hands of the holder.

In the case of shares in foreign corporations, the most common, though not universal, practice in the states is to assess them as personal property at the domicile of the owner. This is the law in Nebraska, and the practice where they can be found. In 1912 the assessors listed \$2,719,700 of stocks and shares. Of this, \$789,585 were returned under the head of "all shares of stock in any corporation formed outside the state; also all shares of stock in any corporation formed in state conducting business outside state"; and \$1,930,175 under the head of "stock in any company or corporation, use special schedule for Nebraska companies." The assessed value was one-fifth of these sums. No doubt the practice varies as to what is included under these headings—but in the main it is as stated above. Here is one of the anomalies in American taxation, growing out of the divided jurisdiction involved in our federal system. If justice requires the exemption of securities representing investment in home companies, it likewise requires the exemption of securities of foreign companies. There is no economic distinction between the two.

The same reasoning applies to credits. A boy buys a team to start farming and gives his note for the whole amount. The horses have been assessed, say at \$500, and continue to be. The note is now assessable also for \$500, though no new wealth has been created. No new source of social income exists. The note is "property" in the sense that it represents a claim upon income and has a sale value. But it must always be remembered that the income of the owner of the team and that of the holder of the note must come from the same single source, the team of horses, which before the sale was "taxed" but once. The same is of course true of notes secured by mortgage. The legislature in 1911 recognized this fact and enacted a law—not to exempt mortgages, but "for the taxation of mortgages of real property and to prevent double taxation on encumbered property in the state." We have discussed this law elsewhere. In operation, it results in the practical exemption of mortgages on real estate in Nebraska. But chattels and foreign mortgages of all kinds remain assessable in the hands of the owner. Yet the only

difference between a Nebraska mortgage and a foreign mortgage is in the location of the security. The owner of a foreign mortgage or of stock in a foreign corporation feels it unjust to have the same source of his income counted twice for taxation, even though by different states. If one is to be double-taxed, it is a matter of indifference to him whether he is despoiled by one taxing authority or by two.

And thus it is argued that the only just method of dealing with money, credits and securities is to exempt them altogether. Whatever may be the merits of this contention, this important fact remains and must be considered in devising a revenue measure: A strong and persistent public sentiment is opposed to the so-called exemption of citizens of large means who draw their income from investments in other jurisdictions. The thing that still appeals with convincing force is that such persons benefit by the government under which they live, are able to support it, and should be compelled to do so. As long as this is the judgment or temper of the great majority of citizens, it is perhaps wise to continue the policy of taxing owners of money, credits and securities as such. We do not believe, however, that the intolerable inequalities that now exist and the demoralization which results from wholesale evasion by taxpayers, and widespread collusion on the part of assessors can be materially changed as long as we attempt to apply the general property rate to these forms of property. This means that as long as the present constitutional restrictions remain, there is little hope of improving this part of the revenue system. If the pending amendment is adopted, two paths lie open for effectively reaching the owners of intangible property: (1) Through the income tax; and (2) through the classified property tax. The first of these methods of reform we reserve for discussion in a later chapter; to the second we now turn.

### III. THE CLASSIFIED PROPERTY TAX

The most fruitful experience during recent years in dealing with intangibles has been in the direction of classifying property according to its economic character and subjecting each class to a suitable rate. Classification thus far has consisted chiefly in making a separate class for money and credits and taxing them at a lower rate than general property; but the principle may,

and doubtless will, be carried much further. The criticisms against taxation by valuation are largely removed by such classification. Not all experiments in this direction commend themselves equally, but any of them offer a better mode of treating intangibles than that of the general property tax.

**The Registry Tax.**—First as to the treatment of mortgages. New York in 1905 lifted mortgages secured by real estate within the commonwealth from the general property tax. They had previously been listed as personal property. The law of 1905 substituted an annual five mill tax uniform throughout the state. The next year this was changed to a recording tax of the same rate (50 cents per \$100) paid at the time of registration. Mortgages upon which the registry tax is paid are exempt from future taxation within the state. The net revenue is divided equally between the state treasury and the county of registration. The total amount of tax collected under this law has averaged somewhat more than three and one-half millions a year. The expense of collection has been low, about one and a half per cent of the tax. The following table shows the gross income from the tax:

|           |                       |
|-----------|-----------------------|
| 1906....  | \$900,000 (estimated) |
| 1908..... | 3,399,998             |
| 1909..... | 3,755,649             |
| 1911..... | 3,630,092             |
| 1913..... | 3,728,544             |

Since 1907 Minnesota has had a similar law which yields a revenue of half a million a year. In 1911 New York extended the principle of the registry tax to foreign mortgages and other "secured debts," to serial bonds, notes and debentures secured by mortgage, and to bonds of other states and of municipalities. If such property is not presented for registration it is subject to taxation under the general property tax. While such a method of taxation is perhaps preferable to that of taxing such property under the general property tax, it has serious defects. The tax, if indeed it be a tax, can be evaded by those who do not care for the protection given by registration. The supreme court of Minnesota has construed the law as imposing a tax on the right to record the mortgages and not on the debt secured by it. A more serious objection is that the tax bears unequally upon

instruments running for different terms. A mortgage which runs fifty years pays the same tax as one running for one year. For long term mortgages, such as are often issued by corporations, the tax is so light as to give practical exemption.

**The Annual Flat Rate Tax.**—This objection is avoided by the method employed in several states of imposing a low annual tax, uniform throughout the state, upon certain forms of intangible property. This plan has been followed in Pennsylvania for many years, and with apparent success. A flat rate of four mills on each dollar of value of intangible property, uniform for the whole state, is imposed. Since 1891 three-fourths of this tax has been returned to the several counties, the remainder going into the state treasury. Beginning with 1914 all the tax from this source is to go into the local treasuries.

The striking growth of these forms of property is disclosed in the following table supplied by the state treasurer:

|               |               |               |               |
|---------------|---------------|---------------|---------------|
| 1885. . . . . | \$159,304,729 | 1907. . . . . | 1,014,757,783 |
| 1888. . . . . | 429,751,583   | 1908. . . . . | 1,104,513,428 |
| 1891. . . . . | 575,295,999   | 1909. . . . . | 1,141,899,627 |
| 1894. . . . . | 613,927,285   | 1910. . . . . | 1,184,398,749 |
| 1897. . . . . | 673,669,421   | 1911. . . . . | 1,198,861,401 |
| 1900. . . . . | 722,864,569   | 1912. . . . . | 1,266,095,982 |
| 1903. . . . . | 882,310,195   | 1913. . . . . | 1,402,511,272 |
| 1906. . . . . | 932,688,853   |               |               |

These figures probably do not represent the full amount of this kind of property owned in the state, but they are in striking contrast to the figures quoted above for Ohio showing a continuous decrease in such property.

**Minnesota's Experience.**—Minnesota in 1911 enacted a similar law. The statute provides for the separate listing of money in hand or on deposit, promissory notes and bonds other than mortgages on Minnesota real estate, municipal bonds, book accounts, annuities, royalties and all claims and demands for money or other things of value. The law does not apply to money and credits belonging to incorporated banks, to shares of stock, to mortgages secured within the state, the latter continuing subject to the registry tax, nor to municipal bonds which are exempt. The return of moneys and credits is made on a separate schedule, and it is specifically required that the taxpayer make

oath as to the correctness of his return. The tax is paid into the county treasury as other property taxes, but is apportioned as follows: One-sixth to the revenue fund of the state; one-sixth to the county revenue fund; one-third to the city, village or town; and one-third to the school district in which the property is assessed. Under the old law, deductions for debt were allowed as an offset to credits. Under the present law, no deductions are allowed.

The results of the three mill law are seen in the following table:

| Year         | Number Assessed | Total Assessment | Per Capita Assessment | Per Cent Increase Over 1910 |
|--------------|-----------------|------------------|-----------------------|-----------------------------|
| 1910.. . . . | 6,200           | \$13,919,806     | \$6.70                | ...                         |
| 1911.... .   | 41,439          | 115,481,807      | 55.63                 | 730                         |
| 1912.... .   | 50,564          | 135,369,314      | 65.22                 | 873                         |
| 1913.....    | 57,068          | 156,969,892      | ...                   | 1,027                       |
| 1914... .    | 73,007          | 196,173,719      | .                     | 1,309                       |

An interesting episode of the 1911 assessment shows the advantage of having a centralized control over the taxing machinery. This was the first assessment under the new law. It was begun only a few days after the law became effective and partly for this reason and partly no doubt because of lax habits of the assessors, many districts made lower returns than were expected. This led to a re-assessment in two hundred and ninety-seven taxing districts out of a total of twenty-four hundred, by special assessors appointed by the State Tax Commission. The results were significant. In these 297 districts, the regular assessors listed only 1831 persons having money and credits amounting to \$4,602,296, "while the special assessors found 8,630 persons subject to the tax for a total assessment of \$14,221,949, a gain of \$9,618,653, the increase in the number of persons assessed being 370 per cent and 210 per cent in the amount of the assessment."

We quote the Tax Commission on one phase of the law: "Some criticism of the law is heard because it does not permit of the deduction of debts from credits. It should be remembered however, that a person who owes a debt upon his farm or his home, or on his farm implements or household goods, or merchandise, is not permitted to deduct such debt from the assessed

value of his property. There is perhaps as much justification on grounds of equity for deducting debts from these classes of property as from credits, but no such deductions have ever been permitted under the law. In the opinion holding that debts cannot be deducted from credits the supreme court says:

“Though this result leads to a departure from the long settled policy of the state to allow the deduction of debts in taxation of this kind, that policy was at its inception of doubtful merit, in that it extended to one class of tax payers a favor not granted to others. It permitted the tax payer holding credits to deduct his debts from the amount of his assessment, and denied the right to any owner of other property who was also in debt.”

The Tax Commission in its report for 1912 concludes its discussion of the operation of the law as follows:

“While it is not claimed that all intangible property subject to taxation under the new law has been placed on the assessment rolls, the proportion that now escapes taxation is much less than it was when we attempted to tax such property with the same machinery and on the same basis as other forms of property. In addition, it will not be denied that the tax burden on this class of property is much more widely, as well as much more equitably and justly distributed than it was under the old system.

While it can scarcely be claimed that two years afford sufficient time to demonstrate the success or failure of any radical departure from methods of taxation that have grown hoary with age, yet our brief experience in Minnesota with the three mill tax on money and credits justifies us in the belief that we have taken a decided step in advance. Men differ as to the wisdom of taxing property of this nature at all, but there is no difference in opinion that a burdensome or confiscatory tax drives such property into concealment. Experience in our own and every other state has demonstrated that when a tax rate consumes more than 10 per cent of the income from this class of property it will not be voluntarily listed for taxation. The average tax rate in Minnesota this year is nearly 30 mills. With such a rate consuming, as it would, from 40 to 60 per cent of the income from invested credits, it would be folly to hope to reach more than a fraction of such property for purposes of taxation under the old system.

It was for this reason that the legislature passed the three mill tax law. We believe it is a decided improvement over the old method of taxing money and credits, because it is more equitable and will eventually produce more revenue than the old system did. Above all, it makes for good citizenship, because it reduces the premium on dishonesty, and permits men to be

truthful in their tax statements without the fear of having their property confiscated in excessive tax rates."

**Experience in Other States.**—Maryland has had equal success in bringing out intangibles at a low rate. Rhode Island has since 1912 had a flat four mill tax on money and credits. The operation of the law there can not be understood without considering the method of reaching the "intangible value" of corporations. It appears probable that there has not been a gain in valuation sufficient to make up the loss of revenue at the low rate, if the returns of individual taxpayers alone be considered. But mercantile and manufacturing corporations are taxed on their "corporate excess" and their money and credits as such do not appear in the tax rolls. Public service corporations are taxed on their gross receipts. Taking these facts into account, the Tax Commission says in its report of January, 1914:

"The local valuation of intangibles, together with savings and participation accounts and reserve funds, the corporate excess of manufacturing, mercantile, and miscellaneous corporations, the stock of banks and trust companies, and the securities of public service corporations obtained by capitalizing their gross receipts tax on a basis of \$4 per \$1,000.00, gives the total amount of intangibles paying taxes in this state as more than \$460,000,000.00, an amount which was never even approached before the enactment of the Tax Act of 1912, and which exceeds the total local valuation of the state for 1904 by more than \$16,000,000. Not only has the amount of intangibles greatly increased, but also the amount of taxes paid, notwithstanding the flat rate of \$4 per \$1,000.00. The net increase in total revenue paid on account of intangibles, while not positively determinable, is not less than three-quarters of a million dollars, and is in all probability much more."

In Iowa alone of the states that have adopted the classified tax for intangibles has there been a failure to secure additional revenue. In that state there has been an actual loss of revenue to the public treasuries estimated at \$1,000,000 a year. The failure of the Iowa law to bring out an increased amount of money and credits is explained by the Special Tax Commission of 1912 by the absence of any centralized supervision and control such as exists in Minnesota and Rhode Island.

**The Situation in Nebraska.**—As pointed out in a previous paragraph, the law as it now stands is not clear with respect to

the taxation of shares of stock in corporations. It is also vague with reference to the taxation of credits. The law as it stood prior to the revision of 1903 permitted a taxpayer "to deduct from the gross amount of credits the amount of all **bona fide** debts owing by such person, company, or corporation to any other person, company or corporation for a consideration received." The act of 1903 made no provision for deductions, but the supreme court has held in a series of cases that the word "credit" as used in the act means "net credit." To arrive at which indebtedness may be deducted from "gross credits." The term has received further interpretation bearing on the question of deductions. Credits arising in the course of trade are held to be true credits within the meaning of the statute and **bona fide** debts may be offset against them; while credits arising from the loaning or investing of money should be treated as "money loaned" and not as credits against which debt may be offset. *State v. Fleming*, 70 Neb., 523, 1903; *Lancaster County v. McDonald*, 73 Neb., 453, 1905; *Royal Highlanders v. State* 77 Neb., 18; *Oleson v. Cuming Co.*, 81 Neb., 209, 1908.

So much for the law as now interpreted. The tables given below show what success the assessors have had in listing this class of property prior to the act of 1903 and since that date. The Grand Assessment Roll from 1880 to 1903 inclusive had fewer items than it now carries. The intangibles were annuities, moneys and credits of banks and brokers, moneys and credits other than of banks, bonds, shares of stock, warrants and "franchises." The totals of these items, the percentage they constituted of the total assessment, and of the personal property assessment are given in the following table:

TABLE VIII  
ASSESSED VALUATION OF INTANGIBLE PROPERTY, 1880-1903, INCLUSIVE

| Year    | Annui-<br>ties | Moneys<br>of Banks<br>Brokers<br>Etc. | Credits<br>of Banks<br>Brokers<br>Etc. | Moneys<br>Other<br>Than of<br>Banks | Credits<br>Other<br>Than of<br>Banks | Bonds<br>Stocks<br>Warrants<br>Etc. | Shares<br>Capital<br>Stock of<br>Companies | Franchises | Total       | Intang-<br>ible<br>Per cent<br>of Total<br>Assess-<br>ment | Intang-<br>ible<br>Per cent<br>of<br>Personal<br>Property |
|---------|----------------|---------------------------------------|----------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------------|------------|-------------|------------------------------------------------------------|-----------------------------------------------------------|
| 1880... | \$702          | \$413,465                             | \$139,972                              | \$571,544                           | \$960,957                            | \$439,779                           | \$18,489                                   | \$8,392    | \$2,553,300 | 2.82                                                       | 9.56                                                      |
| 1881... | 350            | 378,615                               | 189,888                                | 546,308                             | 804,286                              | 366,935                             | 54,285                                     | 10,656     | 2,351,323   | 2.52                                                       | 9.00                                                      |
| 1882... | 170            | 533,055                               | 282,381                                | 622,468                             | 790,420                              | 225,588                             | 65,199                                     | 10,802     | 2,530,503   | 2.57                                                       | 9.02                                                      |
| 1883... | 240            | 630,229                               | 201,158                                | 719,061                             | 864,385                              | 133,424                             | 103,374                                    | 5,938      | 2,657,809   | 2.40                                                       | 8.17                                                      |
| 1884... | 240            | 807,508                               | 283,470                                | 623,837                             | 906,330                              | 275,585                             | 605,272                                    | 21,153     | 3,523,395   | 2.85                                                       | 9.75                                                      |
| 1885... | 2,518          | 844,288                               | 303,916                                | 595,428                             | 1,077,142                            | 151,208                             | 124,163                                    | 11,069     | 3,114,732   | 2.33                                                       | 8.35                                                      |
| 1886... | 787            | 1,162,666                             | 320,601                                | 570,244                             | 1,088,507                            | 94,316                              | 743,698                                    | 7,926      | 3,988,745   | 2.77                                                       | 10.04                                                     |
| 1887... | 637            | 1,739,269                             | 384,512                                | 617,650                             | 864,195                              | 259,964                             | 158,306                                    | 8,261      | 4,032,794   | 2.51                                                       | 9.95                                                      |
| 1888... | 1,656          | 1,148,353                             | 412,696                                | 637,491                             | 858,772                              | 172,859                             | 324,130                                    | 6,702      | 3,562,659   | 2.02                                                       | 8.82                                                      |
| 1889... | 587            | 1,896,575                             | 347,959                                | 517,163                             | 761,010                              | 163,165                             | 236,943                                    | 14,190     | 3,937,592   | 2.15                                                       | 9.74                                                      |
| 1890... | 200            | 2,096,135                             | 333,381                                | 568,805                             | 722,810                              | 200,646                             | 236,610                                    | 31,376     | 4,190,463   | 2.27                                                       | 10.63                                                     |
| 1891... | 75             | 2,109,531                             | 351,597                                | 643,136                             | 745,196                              | 148,816                             | 202,848                                    | 27,122     | 4,228,321   | 2.31                                                       | 11.56                                                     |
| 1892... | 20             | 1,408,024                             | 416,653                                | 654,822                             | 675,701                              | 192,399                             | 326,021                                    | 23,144     | 3,696,784   | 1.98                                                       | 9.96                                                      |
| 1893... | 89             | 1,257,106                             | 422,388                                | 674,848                             | 770,970                              | 146,095                             | 249,301                                    | 22,115     | 3,542,912   | 1.82                                                       | 9.33                                                      |
| 1894... | 1,085          | 1,074,208                             | 267,936                                | 589,712                             | 899,737                              | 148,535                             | 159,620                                    | 14,820     | 3,155,653   | 1.72                                                       | 11.00                                                     |
| 1895... | 4,462          | 940,141                               | 215,403                                | 611,504                             | 760,917                              | 101,420                             | 174,128                                    | 6,180      | 2,814,155   | 1.64                                                       | 10.83                                                     |
| 1896... | 89             | 840,969                               | 161,487                                | 521,282                             | 636,190                              | 79,374                              | 187,714                                    | 8,478      | 2,435,583   | 1.46                                                       | 9.62                                                      |
| 1897... | 1,654          | 751,291                               | 103,789                                | 461,492                             | 553,182                              | 106,247                             | 277,721                                    | 17,042     | 2,272,418   | 1.38                                                       | 8.54                                                      |
| 1898... | 3,720          | 678,566                               | 141,375                                | 507,995                             | 515,600                              | 87,060                              | 114,978                                    | 9,836      | 2,059,130   | 1.23                                                       | 6.85                                                      |
| 1899... | 2,463          | 712,581                               | 174,566                                | 540,611                             | 776,023                              | 86,010                              | 95,763                                     | 10,190     | 2,398,207   | 1.42                                                       | 7.41                                                      |
| 1900... | 103            | 677,630                               | 257,998                                | 598,192                             | 537,993                              | 109,122                             | 95,676                                     | 23,583     | 2,299,397   | 1.34                                                       | 6.72                                                      |
| 1901... | 428            | 759,802                               | 321,582                                | 576,167                             | 524,399                              | 106,799                             | 83,200                                     | 22,743     | 2,305,113   | 1.32                                                       | 6.83                                                      |
| 1902... | 70             | 1,054,895                             | 327,815                                | 407,918                             | 555,585                              | 98,292                              | 97,205                                     | 59,259     | 2,601,046   | 1.44                                                       | 7.04                                                      |
| 1903... | 272            | 1,743,756                             | 351,326                                | 803,213                             | 642,293                              | 107,822                             | 91,867                                     | 44,817     | 3,785,366   | 2.01                                                       | 9.24                                                      |

As will be seen less than four millions of these forms of property were put upon the rolls in 1903, under a law requiring property to be listed at its full value. In 1904, the first year under the new law, which provided for an assessment at one-fifth of the "actual value," intangibles rose to more than twelve millions and they constituted 4.19 per cent of the whole assessment. The table which follows shows the items of this class of property since 1904, and the percentage they constitute of the total, and of the personal property assessment:

TABLE IX

Assessed Valuation of Intangible Property by Classes,  
1904-1914

| Year   | Annuities | Bonds     | Notes<br>Secured by<br>Mortgages | Other<br>Notes | Book<br>Accounts | Money<br>on Hand<br>or Deposit | Money<br>Loaned | Judg-<br>ments |
|--------|-----------|-----------|----------------------------------|----------------|------------------|--------------------------------|-----------------|----------------|
| 1904.. | \$14,453  | \$107,681 | \$4,501,215                      | \$1,912,699    | \$701,461        | \$3,774,244                    | \$157,712       | \$28,239       |
| 1905.. | 10,809    | 112,852   | 4,723,912                        | 1,929,636      | 761,934          | 3,666,486                      | 125,708         | 21,790         |
| 1906.. | 10,196    | 101,554   | 5,054,812                        | 2,024,324      | 820,381          | 4,486,895                      | 118,010         | 18,894         |
| 1907.. | 7,273     | 169,095   | 5,469,745                        | 2,254,212      | 889,790          | 5,323,129                      | 120,188         | 27,310         |
| 1908.. | 10,675    | 153,651   | 6,064,995                        | 2,619,007      | 957,591          | 4,980,796                      | 175,334         | 33,534         |
| 1909.. | 11,602    | 186,338   | 6,446,660                        | 2,603,178      | 991,991          | 5,552,987                      | 177,144         | 29,125         |
| 1910.. | 26,672    | 189,444   | 7,249,134                        | 2,740,356      | 1,093,379        | 5,813,907                      | 229,093         | 23,427         |
| 1911.. | 19,014    | 270,692   | 7,964,167                        | 2,906,961      | 1,023,229        | 4,868,940                      | 219,523         | 1,085,314      |
| 1912.. | 12,755    | 194,725   | 6,397,154                        | 2,952,652      | 975,322          | 5,157,418                      | 185,475         | 22,040         |
| 1913.. | 21,438    | 188,133   | 4,769,780                        | 3,016,514      | 1,055,504        | 5,025,461                      | 173,159         | 23,873         |
| 1914.. | 12,472    | 176,220   | 3,221,007                        | 3,091,134      | 1,034,319        | 4,751,276                      | 162,122         | 22,450         |

| Year      | MoneyP'd<br>Building<br>& Loan<br>& Saving<br>Ass'ns | Stock in<br>Corpora-<br>tions | Stock<br>in Any<br>Company | Fran-<br>chises | Credits<br>not<br>Otherwise<br>Listed | Totals       | Intang-<br>ible Per<br>Cent of<br>Total<br>Assessm't | Intang-<br>ible Per<br>Cent of<br>Personal<br>Property |
|-----------|------------------------------------------------------|-------------------------------|----------------------------|-----------------|---------------------------------------|--------------|------------------------------------------------------|--------------------------------------------------------|
| 1904..... | \$179,340                                            | \$275,078                     | \$314,075                  | \$149,992       | \$245,226                             | \$12,361,415 | 4.19                                                 | 18.50                                                  |
| 1905..... | 196,013                                              | 140,476                       | 319,716                    | 110,875         | 187,370                               | 12,307,577   | 4.04                                                 | 17.72                                                  |
| 1906..... | 232,243                                              | 241,157                       | 212,326                    | 139,308         | 120,505                               | 13,580,605   | 4.34                                                 | 18.00                                                  |
| 1907..... | 266,541                                              | 233,487                       | 315,056                    | 148,060         | 137,610                               | 15,361,496   | 4.66                                                 | 18.41                                                  |
| 1908..... | 297,178                                              | 220,042                       | 587,238                    | 143,207         | 243,423                               | 16,486,671   | 4.21                                                 | 19.90                                                  |
| 1909..... | 337,013                                              | 96,959                        | 309,898                    | 116,695         | 368,355                               | 17,227,945   | 4.32                                                 | 20.11                                                  |
| 1910..... | 358,992                                              | 153,610                       | 528,016                    | 125,998         | 232,303                               | 18,764,331   | 4.55                                                 | 19.67                                                  |
| 1911..... | 371,738                                              | 123,213                       | 510,480                    | 69,089          | 253,882                               | 19,681,242   | 4.73                                                 | 20.95                                                  |
| 1912..... | 380,556                                              | 157,917                       | 386,035                    | 31,499          | 660,044                               | 17,513,592   | 3.78                                                 | 19.62                                                  |
| 1913..... | 409,799                                              | 189,127                       | 343,034                    | 35,923          | 524,546                               | 15,776,291   | 3.35                                                 | 17.10                                                  |
| 1914..... | 406,978                                              | 171,234                       | 391,344                    | 29,585          | 537,490                               | 14,007,631   | 2.97                                                 | 15.56                                                  |

It will be seen that during the first eight years of the period there was a steady increase of this class of property placed on the rolls. The high mark was reached in 1911 when the assessed valuation stood at \$19,681,242, or 4.73 per cent of the total assessed valuation. The decline since 1911 is due chiefly to the operation of the mortgage tax law enacted that year.

The problem before us is how to treat moneys, securities and these various forms of credit for purposes of taxation. We believe the best course with respect to these forms of property is to place them in a special class and subject them to a low rate uniform throughout the state. If the experience of other states is repeated in Nebraska, the change should result in an increase of revenue. But whether the revenues are increased or not a gain will be made by removing one of the strongest incentives to evasion with all its vicious effects, and by doing substantial justice to those who will not, or cannot, evade the present law. It is not, perhaps, an ideal solution of a difficult problem, but that it is a practical way out of an intolerable situation is shown by the experience of the states where it has been given a serious trial.

**Conditions Necessary to Success.**—It is not pretended that the proposed law would be self-operative. Many persons would attempt to evade a low rate just as they now evade the general property tax rate. There is reason for believing, however, that the great majority of taxpayers would not do so under a reasonably efficient administration of the law. Taxation from its very nature rests on coercion, and effective administration is a necessary feature of every revenue law. This suggests the first condition to the success of the proposed plan: That there shall be an efficient central control of assessments such as can be exercised only by a tax commission with strong powers. If the people of the state are not willing to pay the price—not willing to submit to state supervision and to meet the expense involved—the hope of materially improving the present situation may as well be given up. A second essential feature of the proposed plan is that the fear be removed that upon listing securities under it, the taxpayer may be mulcted for back taxes for a term of years. In the third place, taxpayers must have reasonable assurance that the plan is to have a fair degree of permanence.

**Conclusions and Recommendations.**—We, therefore, recommend that in case the pending amendment is adopted provision be made for taxing moneys, credits and securities at the rate of three or four mills on the dollar of true value without allowance of the privilege of offsetting debts, and that provision be made to prevent the information given under this act from being used as a means of collecting back taxes. If the amendment fails of adoption this form of property must continue to be treated in the same way as other property.

## CHAPTER IV

### THE REAL ESTATE TAX

By far the most important item of property on the assessment rolls is real estate. Out of a total valuation in 1913 of \$470,690,414, real estate amounted to \$322,632,157 or 68.54 per cent. This kind of property was classified as follows:

| LANDS                             | Acres      | Assessed Value | Average  |
|-----------------------------------|------------|----------------|----------|
| Improved.....                     | 21,868,920 | \$199,342,372  | \$9.34   |
| Improvements.....                 | .....      | 21,312,552     | ...      |
| Unimproved.....                   | 18,334,087 | 30,589,822     | 1.66     |
| <hr/>                             |            |                |          |
| Total lands and improvements..... | 40,203,007 | \$251,244,746  | 6.26     |
| <hr/>                             |            |                |          |
| CITY AND VILLAGE LOTS             | Number     |                |          |
| Improved.....                     | 344,785    | 27,098,751     | 81.43    |
| Improvements.....                 | .....      | 38,046,624     | ...      |
| Unimproved.....                   | 216,039    | 6,242,466      | 43.58    |
| <hr/>                             |            |                |          |
| Total lots and improvements....   | 560,824    | \$71,387,841   | \$127.29 |
| <hr/>                             |            |                |          |
| Total Real Estate....             |            | \$322,632,187  |          |

These totals are exclusive of improvements on leased lands, amounting in 1912 to \$1,398,504; the right-of-way and terminal sites of railways fixed by the Railway Commission for 1911, at \$30,818,544 (full value); lands owned by the federal, state and local governments and privately owned real estate exempt from taxation.

**Provisions of the Present Law.**—Since 1904 real estate has been assessed quadrennially. A crude sort of classification is made of “improved,” and “unimproved,” lands, and “improved” and “unimproved” lots, and a separate valuation of improvements is required. The improvements are, however, taxed in exactly the same way as the land itself. When improve-

ments are made after an assessment, which increases the sale value by more than \$100, the assessor, at the time of making the annual personal property assessment following, is required to increase the original valuation by an amount equal to "the true value added to such parcel of land or lots by the said improvements." Likewise deductions are allowed in case of loss by fire or flood. Assessments are equalized by the county board and the state board, as in the case of personal property. The county board of equalization is authorized at any of its annual meetings to consider and correct "evident errors of assessment or apparent gross injustice in over-valuation or under-valuation of real property." An amendment to Section 121 of the Revenue Law made by the legislature of 1911 seems to give power to the county board to enter upon a general equalization of real estate in alternate years beginning with 1912, without any re-assessment having been made.

**Permanent Character of this Source of Revenue.—**

There is no question as to the propriety of the land tax such as is raised in connection with personal property taxes. The land of a country, its primary source of wealth, has always and everywhere been an important source of public revenue and everyone agrees that it must continue to be. Indeed it has been earnestly urged before this Commission that it should be made the sole source. The advocates of the system of taxing land values only are not primarily interested in fiscal reform but in a larger and more fundamental reform of economic and social conditions. Whatever the merit of such a scheme as a plan of social reform or as a reform of the revenue system, the real estate taxes will without doubt continue to occupy in the future, as in the past, an important place in the fiscal system. The great practical problem in connection with this class of property is to improve the method of assessment to the end that greater accuracy in the valuations may be secured.

**The Taxation of Improvements.—**Although the law requires the separate listing of land and the improvements thereon, the two elements of real estate are subject to the same rule of assessment and taxation. It is a matter of common observation, however, that improved properties are assessed at a larger percentage of their true value than unimproved property. It seems clear that if any discrimination is to be made in the

assessment it should be in favor of the improved property. It has been argued before the Commission that improvements ought to be exempted from taxation. In recent years several bills have been introduced into the legislature looking to such exemption. This is in line with the policy adopted in the western provinces of Canada by many municipalities, and with a number of attempts made in American cities. Pueblo, Colorado at the present time is in process of abolishing the taxation of improvements.

If such a policy were adopted it would involve a reduction of valuation on the grand assessment roll by \$59,359,176 as shown in the assessment of 1913, though the census bureau for 1910 found the value of buildings on farms alone was \$198,807,622. Unless new sources of revenue are found the remaining property would of course have to bear a heavier burden. A large part of this increase would fall upon the land though other kinds of property would share the burden of higher levies. The exemption would operate unequally as between town and country. Of the \$59,359,176 of assessed value returned by the assessors as improvements in 1913, \$21,312,552 was for improvements on farms, and \$38,046,624 for those on lots in villages and cities. One-half of the valuation of city improvements is returned from Douglas (\$14,000,000) and Lancaster (\$5,000,000) counties. The relative importance of land and improvements in town and country as shown by the assessed valuation of 1913 is summarized in the following table:

|                                  |               |
|----------------------------------|---------------|
| Value of lands.....              | \$229,931.794 |
| Value of improvements on land... | 21,312,552    |
| Value of lots....                | 33,341,217    |
| Value of improvements on lots... | 38,046,624    |

It has been proposed before the Commission and in the legislature to exempt improvements on farms while leaving city improvements subject to taxation. We can see no economic justification for such a plan. But land and improvements do belong to two distinct economic classes, and may properly be taxed upon a different basis. Land tends to increase in value and this without effort on the part of the owner, while improvements are subject to constant depreciation and in the end must be replaced by labor. A tax on improvements tends to discourage

the making of them; a tax on land has little or no deterrent effect on industry. These differences may not warrant the disturbance of property values that would be involved in the total exemption of improvements. But in our opinion they do warrant a discrimination in favor of the less durable property. We, therefore, recommend that in case the pending tax amendment is adopted the law be so amended that improvements shall be assessed at 75 per cent of the value they add to land and that land shall be assessed at its true value. This would at least correct the present too prevalent practice of placing a larger burden on improved, than on unimproved property.

**The Assessment of Real Estate.**—The most important problem connected with the taxation of real estate is that of improving the method of assessing this important class of property. It is usually assumed that the correct valuation of real estate is a very simple matter, and compared with the difficulties of assessing most personal property it is simple. Nevertheless it is no easy task if justice is to be done. It is a task which demands the exercise of skill and judgment, and this demand is becoming more and more imperative with the increase of the tax burden upon this species of property.

**Unequal Assessments.**—Some idea of the inequalities that exist under present methods of assessment may be gained from the following table compiled from the Sixth Annual Report of the Railway Commission, the United States Census, and the Report of the Auditor of Public Accounts:

**Table Showing the "Actual Value" of Land and Improvements as Found by the Assessors, 1913, the Value Found by the Railway Commission, 1913, and the Census Value of 1910**

|                | AVERAGE VALUE PER ACRE |                         |             | Assessors' Value Percent of Railway Commission's Value |
|----------------|------------------------|-------------------------|-------------|--------------------------------------------------------|
|                | Assessors 1913         | Railway Commission 1913 | Census 1910 |                                                        |
| Adams.....     | \$55.55                | \$90.50                 | \$90.61     | 61.38                                                  |
| Antelope.....  | 32.65                  | 59.00                   | 51.35       | 55.32                                                  |
| Banner.....    | 4.20                   | 11.75                   | 11.16       | 35.74                                                  |
| Blaine.....    | 4.55                   | 8.25                    | 6.05        | 55.12                                                  |
| Boone.....     | 43.65                  | 67.25                   | 69.00       | 64.91                                                  |
| Box Butte..... | 5.95                   | 15.40                   | 13.49       | 38.64                                                  |
| Boyd.....      | 30.00                  | 40.00                   | 43.40       | 75.00                                                  |
| Brown.....     | 8.95                   | 15.00                   | 14.56       | 59.67                                                  |
| Buffalo.....   | 31.00                  | 61.50                   | 57.00       | 50.40                                                  |
| Burt.....      | 79.65                  | 104.00                  | 92.31       | 76.58                                                  |
| Butler.....    | 72.40                  | 104.00                  | 102.61      | 69.61                                                  |
| Cass.....      | 73.60                  | 99.80                   | 103.88      | 73.75                                                  |
| Cedar.....     | 60.00                  | 83.25                   | 75.15       | 72.07                                                  |
| Chase.....     | 6.05                   | 14.00                   | 15.93       | 43.21                                                  |
| Cherry.....    | 3.45                   | 7.45                    | 7.62        | 46.31                                                  |
| Cheyenne.....  | 8.35                   | 18.25                   | 18.41       | 45.75                                                  |
| Clay.....      | 72.70                  | 96.80                   | 96.05       | 75.11                                                  |
| Colfax.....    | 77.60                  | 109.00                  | 109.75      | 71.19                                                  |
| Cuming.....    | 77.30                  | 113.00                  | 106.83      | 68.40                                                  |
| Custer.....    | 13.75                  | 31.90                   | 28.88       | 43.10                                                  |
| Dakota.....    | 60.75                  | 85.75                   | 78.85       | 70.85                                                  |
| Dawes.....     | 4.80                   | 14.10                   | 14.50       | 34.04                                                  |
| Dawson.....    | 30.05                  | 50.00                   | 50.94       | 60.10                                                  |
| Deuel.....     | 8.20                   | 24.00                   | 26.87       | 34.16                                                  |
| Dixon.....     | 50.85                  | 79.00                   | 77.20       | 64.36                                                  |
| Dodge.....     | 82.10                  | 109.00                  | 103.48      | 75.32                                                  |
| Douglas.....   | 93.75                  | 138.50                  | 131.99      | 67.69                                                  |
| Dundy.....     | 5.00                   | 13.50                   | 13.97       | 37.04                                                  |
| Fillmore.....  | 65.65                  | 92.50                   | 93.75       | 70.97                                                  |
| Franklin.....  | 34.00                  | 56.40                   | 49.34       | 60.28                                                  |
| Frontier.....  | 15.20                  | 23.75                   | 24.14       | 64.00                                                  |
| Furnas.....    | 24.95                  | 42.40                   | 41.31       | 58.85                                                  |
| Gage.....      | 63.50                  | 90.00                   | 89.76       | 70.56                                                  |
| Garden.....    | 5.05                   | 11.50                   | 12.22       | 43.91                                                  |
| Garfield.....  | 7.25                   | 15.75                   | 14.15       | 46.03                                                  |
| Gosper.....    | 23.40                  | 41.25                   | 38.91       | 56.73                                                  |
| Grant.....     | 3.40                   | 5.75                    | 5.09        | 59.13                                                  |
| Greeley.....   | 33.70                  | 44.25                   | 42.50       | 76.16                                                  |
| Hall.....      | 54.55                  | 81.75                   | 80.42       | 66.73                                                  |
| Hamilton.....  | 75.15                  | 110.00                  | 108.49      | 68.32                                                  |
| Harlan.....    | 24.55                  | 51.25                   | 48.38       | 47.91                                                  |
| Hayes.....     | 5.75                   | 14.75                   | 15.26       | 38.98                                                  |
| Hitchcock..... | 9.40                   | 20.90                   | 21.30       | 44.98                                                  |
| Holt.....      | 11.15                  | 26.00                   | 24.30       | 42.89                                                  |
| Hooker.....    | 3.10                   | 6.45                    | 5.73        | 48.07                                                  |
| Howard.....    | 39.35                  | 57.65                   | 59.55       | 68.27                                                  |

**"Actual Value" of Land and Improvements—Continued**

|                   | AVERAGE VALUE PER ACRE |                         |             | Assessors' Value Percent of Railway Commission's Value |
|-------------------|------------------------|-------------------------|-------------|--------------------------------------------------------|
|                   | Assessors 1913         | Railway Commission 1913 | Census 1910 |                                                        |
| Jefferson.....    | 57.50                  | 77.50                   | 74.99       | 74.20                                                  |
| Johnson.....      | 65.75                  | 92.00                   | 85.42       | 71.47                                                  |
| Kearney.....      | 41.70                  | 82.00                   | 77.14       | 50.85                                                  |
| Keith.....        | 5.35                   | 17.00                   | 16.43       | 31.47                                                  |
| Keya Paha.....    | 7.65                   | 20.00                   | 17.47       | 38.25                                                  |
| Kimball.....      | 5.70                   | 12.00                   | 11.66       | 47.50                                                  |
| Knox.....         | 31.50                  | 51.50                   | 50.49       | 61.17                                                  |
| Lancaster.....    | 73.00                  | 97.50                   | 94.46       | 74.87                                                  |
| Lincoln.....      | 7.50                   | 19.80                   | 17.94       | 37.88                                                  |
| Logan.....        | 4.60                   | 10.75                   | 9.85        | 42.79                                                  |
| Loup.....         | 5.80                   | 13.50                   | 11.57       | 42.96                                                  |
| Madison.....      | 58.25                  | 84.75                   | 76.59       | 68.73                                                  |
| McPherson.....    | 3.45                   | 7.25                    | 6.68        | 47.59                                                  |
| Merrick.....      | 49.55                  | 67.50                   | 65.50       | 73.41                                                  |
| Morrill.....      | 5.60                   | 14.60                   | 12.65       | 38.36                                                  |
| Nance.....        | 50.35                  | 68.50                   | 65.14       | 73.50                                                  |
| Nemaha.....       | 72.35                  | 97.00                   | 96.63       | 74.59                                                  |
| Nuckolls.....     | 47.65                  | 80.00                   | 79.55       | 59.56                                                  |
| Otoe.....         | 71.45                  | 96.50                   | 95.12       | 74.05                                                  |
| Pawnee.....       | 65.10                  | 88.00                   | 80.25       | 73.98                                                  |
| Perkins.....      | 7.85                   | 15.75                   | 17.68       | 49.84                                                  |
| Phelps.....       | 38.50                  | 67.00                   | 65.57       | 57.46                                                  |
| Pierce.....       | 44.00                  | 67.00                   | 65.62       | 65.67                                                  |
| Platte.....       | 67.40                  | 94.90                   | 93.53       | 71.03                                                  |
| Polk.....         | 73.10                  | 102.75                  | 94.49       | 71.14                                                  |
| Red Willow.....   | 16.60                  | 27.50                   | 30.99       | 60.37                                                  |
| Richardson.....   | 69.15                  | 90.50                   | 91.93       | 76.41                                                  |
| Rock.....         | 6.65                   | 13.75                   | 13.61       | 48.37                                                  |
| Saline.....       | 72.65                  | 101.00                  | 96.12       | 71.93                                                  |
| Sarpy.....        | 79.45                  | 105.75                  | 106.13      | 75.14                                                  |
| Saunders.....     | 73.75                  | 107.50                  | 102.71      | 68.60                                                  |
| Scotts Bluff..... | 24.15                  | 36.75                   | 38.45       | 65.72                                                  |
| Seward.....       | 77.15                  | 99.50                   | 98.51       | 77.53                                                  |
| Sheridan.....     | 5.80                   | 12.20                   | 12.67       | 47.54                                                  |
| Sherman.....      | 22.35                  | 41.50                   | 42.47       | 53.86                                                  |
| Sioux.....        | 3.95                   | 9.25                    | 8.35        | 42.71                                                  |
| Stanton.....      | 62.45                  | 95.75                   | 83.04       | 65.22                                                  |
| Thayer.....       | 53.65                  | 78.85                   | 80.90       | 68.04                                                  |
| Thomas.....       | 3.05                   | 6.30                    | 5.81        | 48.41                                                  |
| Thurston.....     | 66.40                  | 80.25                   | 67.92       | 82.74                                                  |
| Valley.....       | 31.50                  | 54.50                   | 47.58       | 57.80                                                  |
| Washington.....   | 79.50                  | 111.75                  | 104.34      | 71.14                                                  |
| Wayne.....        | 72.35                  | 100.00                  | 75.00       | 72.35                                                  |
| Webster.....      | 46.00                  | 65.00                   | 40.00       | 70.77                                                  |
| Wheeler.....      | 7.45                   | 13.87                   | 11.59       | 53.71                                                  |
| York.....         | 81.25                  | 106.00                  | 106.96      | 76.65                                                  |
| State.....        | 31.30                  | 42.42                   | 41.80       | 73.79                                                  |

The table shows in the first place a decided under-valuation. The Railway Commission's estimate of the true value of 49,717,600 acres of all kinds of land in the state for 1913 is \$2,108,963,504, or \$42.42 per acre. The assessors' "actual" value for 40,203,007 acres assessed in 1913 was \$1,256,221,730, or \$31.30 per acre. This is 73.79 per cent of the Commission's value based on land sales and bankers' estimates. It will be noted that the Commission's figures include a larger area than the assessors' return. The latter of course took no account of the government lands, unsold school lands, those belonging to the local governments and those exempted from taxation because of the use to which they are put. If these omitted lands had been included in the assessors' figures, the disparity between the two estimates would have been increased.

The law requires the assessor to list the land at its "actual value," one-fifth of which is taken for the assessed value. In practice, however, each assessor sets up a rule for himself. In some counties the practice prevails of classifying lands, e. g. as level farm land, rolling farm land, pasture land, and fixing a flat rate per acre for each class. One assessor estimates the true value of the land and "throws off" \$5.00 per acre, others "throw off," 10, 15, or 20 per cent, each assessor being in this matter a law unto himself. We thus have differences arising from the deliberate action of the assessing officers. Other disparities naturally arise from differences in judgment as to what the true value is, and still others are due to pressure exerted by taxpayers. The result of these forces is gross inequalities in assessing this most important item on the rolls. It is a matter of common observation that properties in cities of moderate value are assessed at a higher percentage of their value than the more expensive ones, and that residence property is assessed at a higher percentage than business property. The most important immediate problem connected with real estate taxation, therefore, is the elaboration of means of securing a full and fair valuation.

**Improved Methods of Assessment.**—The value of a thing is what it will sell for under normal conditions. The work of the assessor is to determine as accurately as possible what property would bring if offered freely for sale. Valuation by buyers is a matter of judgment on their part. It must always be a matter of judgment for the assessor. All the law can do is to aid him by

making available for his guidance such information as it is possible to provide.

**The Sales Method.**—Many assessors make use of the sales of real estate which come to their notice as a guide in valuing not only the property sold, but also similar property not transferred. The sale price is not an absolute measure of a proper assessment. The price may in any given sale, owing to peculiar conditions, be either higher or lower than the true market value of the property. Nevertheless in the price at which land actually changes hands the assessor has perhaps the best single guide to proper valuation. We are convinced that if assessors made systematic use of the information which could be gotten from the record of transfers and from other sources a vast gain in accuracy of assessment would be made. It should be the duty of the register of deeds to certify to the county assessor the description, date of sale and consideration in the deed of each parcel of land transferred. What use the assessor shall make of such information must be left to his discretion.

**True Consideration in Deeds.**—Unfortunately the information given in the records is often misleading owing to the frequent practice of inserting nominal consideration in deeds. We have given some study to the question as to whether a disclosure of the true consideration should be required, if not in the deed, then in a separate sworn statement to be used by the assessor for official purposes only. Proposals of this kind have been recommended by several tax commissions and bills embodying the plan have been before several legislatures, including those in Arizona, Colorado, Connecticut, Maryland, Illinois, New York, Pennsylvania, Rhode Island, Utah and Wisconsin. As far as we have learned, no state has yet enacted such a law. The value of the information the records would soon contain would go far toward correcting the inequalities now complained of, and the supposed advantage of speculators in land should not be allowed to stand in the way of such a reform. As was well said by the Ohio Tax Commission in its report for 1911: "The assessment of property is a public function. The law provides the machinery for ascertaining values, and it would seem proper that the state should provide the best information upon which the assessor can base his action. It should put into his hands the most effective tools for this purpose. Men engaged

in legitimate business, whose business tends to distribute real property on a fair basis, should welcome a measure of this kind. It would tend to give confidence, and the assessment would furnish a criterion of values upon which trades would be apt to be made."

The seriousness of the handicap upon assessors which the present practice imposes is brought out by the Commissioners of Taxes and Assessments of New York City in their report for 1913:

"During the last twenty-five years the practice of inserting a nominal consideration in deeds has become so universal that only about one deed in twenty contains the actual consideration for transfer. The custom conceals 95 per cent of the best evidence of the value of real property; it operates to the detriment of the business of real estate brokerage, by causing a well grounded fear on the part of investors that they will be deceived as to the value of real estate. Any practice which checks the diffusion of real estate ownership is a detriment to the community.

The concealment of the actual prices paid for real estate forces the department to waste much valuable time in a hunt for what ought to be a matter of record. Sometimes deputies are deceived and suppose that the consideration was greater or less than it really was. If they had all the considerations for actual sales, those that were at peculiarly high or low prices would stand out from the rest and would be discredited as evidences of value.

It is rather an extraordinary fact that whereas the price of real estate is the most important price to know from the standpoint of taxation it is the most inaccessible price to obtain. Stocks and bonds are quoted daily on the Stock Exchange. On Produce Exchange we have daily quotations of all kinds of produce; the Metal Exchanges give us the prices of metals. Inquiry at any retail store gives actual prices of every conceivable kind of goods. Practically the only price that is today concealed is the price paid for real estate.

In 1911 and 1912 the New York State Conferences on Taxation recommended a bill to require an affidavit setting forth the true consideration for every transfer of real estate. In 1913 a bill having the same object was introduced in the legislature, which attempted the same result by penalizing the record of a deed which does not contain a statement of the actual consideration. The principle of these bills was endorsed by Judges Gildersleeve, Brady and Ford. Also by Mr. Seth Low and Mr. James L. Wells, a former president of the Tax Department under Mayor Low; by Mr. Feitner, another president of the Tax Department

and by Mr. William R. Wilcox, recently president of the Public Service Commission, and by the late Mr. Edward M. Shepard. Men well known for their knowledge of real estate have given their hearty approval of the form and principle of the bill, among them being Charles S. Brown, Robert E. Dowling, Francis E. Ward, John L. Parish, Joseph P. Day and Seth B. Robinson."

We believe the time has come to adopt the principle in legislation that the state has a right to this information. The Federal government has asserted it in connection with the administration of stamp duties on transfers, and it has become an important feature of the Alberta increment tax law described elsewhere in this report.

**Classification of Real Estate.**—Better assessments could be made if lands were better classified. The legislature has already provided for classifying lands and lots as improved and unimproved and classification should be carried farther. The law permits the assessor to list as one tract as much as a section of land when it belongs to one owner. There would be no objection, perhaps, to the assessment going on the roll in this way if the assessor has an accurate knowledge of the amount of the different grades of land in the tract, and has made a careful valuation of each grade in fixing his value of the whole. Equalizing boards are helpless without the knowledge supplied by classification. The higher or lower valuation per acre in different townships or counties means nothing unless the proportions of different grades of land are known. Every time an equalization is to be made by the state board representatives of the counties affected appear before the board and vie with one another in ascribing to their respective counties large tracts of rough, over-flow, and waste lands. They furnish no accurate data because they have none; nor has the board; it has nothing to act upon but general impressions. In the interest, therefore, of a better original assessment, and of a more careful equalization, classification of lands is required.

Mr. E. W. Reed, formerly right-of-way statistician to the Railway Commission, presented to this Commission a plan of classifying lands for purposes of valuation which we believe would be of considerable service. His plan is to establish classes of land as "level farm lands, rolling farm lands," etc., etc., and then have the county assessor, with the aid of the leading real

estate dealers, bankers and others having expert knowledge, fix a fair and reasonable valuation for each grade of land. The Kansas Tax Commission has had made a classification of the lands of that state under headings corresponding substantially to those proposed by Mr. L. L. Powers of the Census Bureau, as follows: Bottom land, upland; cultivated, arable; timber used for pasture, timber not so used; orchard; pasture, tillable and non-tillable; waste. The actual work of classifying the lands was left to the local assessors, and this was also a part of the plan of Mr. Reed. No doubt more accurate information can be collected in this way than has heretofore been available; but it would seem that under such a plan the same tendency must show itself to under-classification that there now is toward under-valuation. The opinion of men having the practical knowledge of the productive power of the soil is needed for making a classification survey; but their opinion should be guided and checked by scientifically established facts where possible.

A body of facts of this kind is being accumulated by the State Soil Survey, and by the United States Topographical Survey. The government has covered about 40 per cent of the area of the state including roughly the southern half of the state except the extreme southwestern corner. The Soil Survey is making a more detailed study of the character of the soil and the data supplied by it will be of great value to taxing officers when published. Thus far the maps for only Otoe county have been published. But surveys have been made for Thurston, Seward, Gage, Nemaha, Sarpy, Douglas, Cass, Saunders, Lancaster, and Scotts Bluff counties and parts of a few others. The topographical work of the United States government naturally precedes the survey of the soils, and is a necessary preliminary, moreover, not only to that work, but also to the work of the State Geological Survey. It is understood that the present policy of the government is to require co-operation on the part of the states in working out the topography of the country on the theory that the states have a vital interest in such work and that they should contribute to the expense. The government offers, however, to duplicate any amount the state will provide for carrying forward the topographical survey. In view of the dependence of state activities upon the completion of this survey, it would seem wise to hasten the completion of this foundation work.

The maps thus supplied, supplemented by the detailed work of the soil survey would be an invaluable aid in making a proper classification of lands. They can also be used as a base for the tax maps discussed below without any great additional expense.

We recommend, therefore, that provision be made by law for supplying county assessors, county boards and the state board of equalization with these maps as fast as completed.

**Tax Maps.**—Special maps made for the use of taxing officers have been found highly useful where employed. Their use has grown up especially in the larger cities of the country where the assessing authorities have most keenly felt the need of them. While more needed in the cities, they are equally applicable to rural lands. They must show accurately the boundaries of each parcel and should be on a large enough scale to permit the notation of sale prices, asking price of property offered for sale, unit values and the assessed valuation. The value of such maps consists in the accuracy which can thus be secured as to the area of each parcel, in preventing omissions, and in bringing into a relation where they can be easily seen the assessments of contiguous tracts.

**Aid of Experts.**—It is quite possible to over-estimate the importance of such devices as the sales method, classification and tax maps. In fact there is a tendency just now to make a fetish of them. No one, however, who has studied the problem of assessment can doubt their great importance; but after all is said and done, they are only aids, and the assessment must rest back finally upon the judgment of the assessor. In many cities the assessor follows the practice of calling real estate men and others having the first hand knowledge of values to help him in fixing his valuations. This is an important feature of the so-called Somers System now being employed in many places. The assessment board in New York City has long followed the plan. It is found that the publicity thus given to the work insures more accurate valuations and a higher degree of satisfaction on the part of taxpayers than when the valuations are made in the seclusion of the assessor's office, or with the questionable aid perhaps of the owner of the property. This method of appeal to community judgment is not one which can well be required by law. It is a matter of administration to be adopted on the initiative of the assessor or on that of the officer or officers charged with super-

vising his work. We believe that its general adoption for both city and rural property would result in a great improvement in the real estate assessment. It is highly important that assessors should be put in touch with the literature of this subject, in a form suitable for their use.

To sum up: The whole trend of tax-reform as far as method of assessment is concerned is in the direction of greater accuracy. Effort is directed toward the elimination of the personal equation of the assessor by giving to him the benefit of community judgment, expert council, working rules based on wide experience and wise guidance of supervising officers. The use of the devices suggested involves some additional expense but the expenditure is well worth making. Justice as between man and man in imposing the burden of maintaining the government is the end sought and it must be as nearly attained as possible regardless of the cost.

**The Assessment of Buildings.**—The law requires the separate assessment of "improvements," but there is no definition of the term and the state board has made no ruling on the subject. Doubtless the practice varies, but the most usual one is to include buildings only. In the interest of uniformity the assessors should be instructed what to include under the head of improvements.

The assessment of buildings is itself a difficult task. Some counties make no return under this head, and too often the valuation is haphazard guess work. This is hardly the place to discuss the proper method of assessment. It would be part of the duty of a permanent commission to settle broad questions of policy such as what should be included under improvements, methods of computing cost of buildings of different construction, the rate of depreciation and the like. A great body of information on this and other phases of valuation is being published embodying the experience of those who have become skilled in certain branches of work of assessment. If our recommendation for assessing improvements at a lower percentage of their actual value than land be adopted by the legislature, the method of assessing buildings will become one of great importance.

**Publicity of Assessments.**—The result of the assessment should be given the widest publicity. This should be done in the case of personal as well as real estate assessments. At present no provision is made for notifying taxpayers of the amount of

their assessment except upon request for a written statement. Such a request is rarely made, the taxpayer relying upon his recollection of the values tentatively agreed upon with the assessor, or set down by him if he makes out and mails his own schedule. The error is often made of thinking that the values so set down are the assessment. But it must be remembered that the listing of property and the assessment are two different things. It is the duty of the owner to take the first step and of the assessor to fix the value. Many assessors feel free to revise values given in by the owner "on fuller consideration" or "on later information"; and it is proper that they should. The law gives large discretion to taxing officers at every stage of the process to make changes that will bring about a full and fair assessment. But provision should be made for informing each person of the amount fixed by the assessor. The supreme court has held that while the county assessor may change the schedule of a taxpayer and add to it such property as has been omitted, "before making such change or addition to the schedule he must give notice to the taxpayer of his intention to do so, and thus afford him an opportunity for a hearing. It seems clear from the authorities that such change or addition made without notice and without an opportunity for a hearing somewhere along the line of procedure is void, for it amounts to "taxing the property of the citizen without due process of law." *Bankers Life Insurance Co. v. County Board*, 89 Neb., 469-472.

The law should be so amended as to require the assessor at the time of viewing and listing to give to the owner a statement of the amount of his provisional assessment with the understanding that it is subject to revision upon notification.

The taxpayer has a right to know not only what his own assessment is, but that of his neighbor as well. The law gives one the right to appear before the county board of equalization to complain of the undervaluation of his neighbor's property, but gives him no adequate means of ascertaining what that assessment is. If feasible it would be desirable to have assessments published before equalization, but such a plan presents certain difficulties. There is no reason, however, why the equalized assessment should not be published for the information of taxpayers. This is done in many places. Sometimes only the personal list is published, sometimes only the real estate, but often together,

The city of Lowell, Massachusetts, for example, publishes a pamphlet giving for the whole city the following items: Personal value, buildings value, law value, value per foot, total tax. In other places such information is provided for each ward separately. The publicity thus given to the equalized valuation, especially of real estate would contribute much to securing a careful and fair valuation.

**Recommendations.**—It is recommended therefore:

1. That the law be so amended as to require the assessor at the time of viewing and listing property to give the owner a written statement of the amount of his assessment and to notify him of any change made in the schedule thereafter.

2. That provision be made for giving publicity to the equalized assessment of personal and real property.

**Quadrennial Assessments.**—Prior to the revision of 1903 the assessment of real estate was made annually. The new law provided for the quadrennial assessment of this class of property. Authority is given the County Board of Equalization, at any of its annual meetings to change assessments on real estate “in cases of evident error or of apparent gross injustice” resulting from over-valuation or or under-valuation. As explained above, additions or deductions are made in case improvements are added or destroyed. An amendment made in 1911 seems to give the county board power in even numbered years “to equalize the valuation of real property” without any new assessment. Under this provision several counties in 1914 lowered their real estate valuations. It is understood that this amendment was expected to operate with other proposed changes which failed to become law. As the law now stands confusion is caused by the provision and if quadrennial assessments are continued we recommend the repeal of the amendment of 1911.

But should the quadrennial assessment be retained? It has been argued before the Commission that it involves great injustice. When poor assessments are made they in most cases remain unchanged for four years. Aggrieved parties may, it is true, make complaint and secure relief, but as a matter of fact for a variety of reasons comparatively few avail themselves of the right. On the other hand, those who are assessed too low have an undue advantage for four years. Again it is argued that even though a good assessment is made, changes in values occur that

ought not to be disregarded for three or four years. For example, the law seems to give no power to change the assessment if properly made in the first place, whatever the change in value may be. Again, the quadrennial assessment has been highly advantageous to owners of real estate during the period of rapid rise in land values since 1904. This is shown by the assessments of 1908 and 1912. In 1904 the assessment of real estate amounted to 182 millions. By 1907 this had been increased by the addition of improvements and extensions of the area assessed to 193 millions. The assessment for 1908 rose to 255 millions, and this probably fell short of the increase in value that had taken place during the quadrennium. Again, in 1912 there was a jump from 267 million to 319 million although most of the increase had taken place long before that year. The evil is increased by the fact that values do not change evenly in all parts of the state, or in all parts even of the same community. In urban communities especially values shift quickly and unevenly; and frequent assessments should be made in order to register the changes.

On the other hand, it is held that the present plan gives greater stability in the valuations in the assessment rolls than would be possible under a shorter term. This might prove a matter of some importance to those institutions which depend upon a permanent millage tax for support since it enables them to estimate their future revenues with greater accuracy. Still this advantage can be easily over-estimated. On the whole, these institutions under normal conditions have more to gain than to lose by more frequent assessments. But whether this is true or not, their interests should not be allowed to stand in the way of adopting a more just rule.

Another argument against more frequent assessment is the increased cost it would entail. We have no data showing what the cost of such assessment is. If, however, the recommendations of the Commission are accepted for making the county assessor the assessor in fact as well as in name, the increased cost would practically be covered by the cost of preparing the books. The valuation would be in progress during the whole year and the assessment the first of April would involve only the cost of transcription.

It was argued at the time the present law was enacted that the quadrennial assessment would be an advantage to those who

were dealing in real estate. An increase in the valuation of a piece of land carrying with it an increase in the tax has the effect, other conditions remaining the same, of depressing the value of the real estate by an amount equal to the capitalized value of the increase of the tax at the current rate of interest. A dealer's calculations might thus be seriously affected by an increased assessment; but this seems no valid reason for retaining a plan which carries with it evident injustice to large numbers not interested in speculation.

**Recommendations.**—In the opinion of the Commission, the weight of argument, therefore, is against the quadrennial assessment. If that is abandoned what should be substituted for it?

As far as we have been able to learn, the practice in the various states is as follows: 28 states have annual assessments of real estate; 5 have biennial; and 5 have quadrennial assessments. In our opinion all interests would be best conserved by a biennial assessment. We, therefore, recommend that the law be so amended as to require a new assessment of real property in 1916 and biennially thereafter.

**Forest Taxation.**—The taxation of timber lands presents some special problems. A peculiar feature of this kind of property is the great length of time that must elapse between the planting of forest trees and their maturity. The imposition of the usual ad valorem tax upon it is for obvious reasons destructive of the industry. During recent years much attention has been given to this phase of real estate taxation. There are those who advocate the plan of total exemption of forest lands as an encouragement to timber culture. Another plan is to substitute for all annual taxes a tax upon the yield at time of cutting. Both these plans would involve the surrender of a source of public revenue, in the latter case for a term of years, in the former permanently. A third plan is to combine the annual land tax and a yield tax. This seems the fairest method for all interests concerned. Lands that have a use value aside from the timber would thus be required to contribute moderately to the public revenues without discouragement to tree planting; and when great values have thus been produced they become a proper object of taxation. A fourth plan is to tax the land but exempt the value due to the presence of growing trees. This is the method provided by the present law

in this state. The statute provides that "the increased value of lands by reason of live fences and forest trees grown and cultivated thereon shall not be taken into account in the assessment thereof." It is probable that assessors give little heed to this broad provision, but the right to exemption may be claimed at any time. This would seem to be all the encouragement that could reasonably be demanded for this branch of industry. The exemption now permitted is warranted only by the peculiar character of timber culture and its great social significance. There is danger, indeed, that if the law should prove successful in promoting the successful planting of considerable areas the liberal exemption now allowed might be withdrawn to the injury of those who had embarked in such enterprises.

We do not recommend any change in the law at the present time; but it is a subject that may well be given study in the near future. Opinions differ as to whether the development of commercial timber culture may reasonably be expected in this state. The experiments now under way by the federal government at Halsey ought ere long to throw light upon this subject and furnish a guide to the legislature in dealing with the matter in a comprehensive way.

**Increment Taxation.**—The difference in economic character between land and most other kinds of property has long been recognized, though rarely in the tax laws. Under the general property tax all kinds of property have been treated alike. A revenue system based on the inflexible rule of uniformity where such great variety exists is crude and must in time, as we have argued elsewhere, give way to a rational classification of property. We have recommended that intangibles be placed in a class by themselves and subjected to a lower rate, and that improvements be assessed at a lower percentage of their actual value than land. We wish now to call attention to another feature of land taxation which is commanding an increasing amount of attention and has already been embodied in practical legislation in some places.

This new feature of taxation consists in appropriating for the public use some part or all of the future increase in the value of land. The means by which this end is accomplished varies in different places, but everywhere it is through a special tax upon increases in the value of land in addition to the usual tax on the land according to its present value. The first example of

this kind of tax was that laid by the Germans in their colony of Kiauchau in 1898. Large expenditures were to be made, a great port was to be developed and it was foreseen that speculators would rush in to buy up land they did not intend to develop in order to secure the rise in value certain to follow. It seems that the government at first proposed to retain control of the territory and profit by the rise, but for some reason this had to be given up and a scheme for taxing the increase in value was adopted. The plan was quickly seized upon by many cities in Germany as affording an appropriate revenue. Down to 1911 when an imperial increment tax was adopted 4,500 municipalities had enacted some kind of an increment tax law. The nature and variety of these laws are indicated by the following summary by Professor E. R. A. Seligman:

"The increased value on which the tax was applied was generally interpreted to mean the difference between the last purchase price and the present selling price. Allowance was almost universally made for expenditures incurred in the improvement of the land and for the cost of new buildings or rebuilding. Allowance was also usually made for a sum equivalent to the stamp tax, the transfer tax and other fees connected with the change of ownership. A further sum was usually allowed representing the interest (not compounded) from the time of the last sale to the present transfer. In some places these sums, especially the cost of improvements, were subtracted from the selling price, while in others they were added to the purchase price. In some places again, where certain parcels of an entire tract owned by a single individual had been sold at a loss, allowance was made therefor, provided that the losing sales occurred at the same time as those that were profitable, or within a limited period previous thereto. In most cases, again, slight increases of value were exempted. The tax applied in general only to increments of value exceeding 10 per cent; sometimes, however, it began only at 20 per cent, and in Frankfort only at 30 per cent. The rates were almost always progressive, but the minima and maxima varied greatly. Thus in Hamburg the rates were graduated from 1 to 12½ per cent, while in Cologne they rose from 10 to 25 per cent. In Gelsenkirchen the maximum was 30 per cent. The scale of progression, moreover, varied considerably, from 1 per cent for each 10 per cent increase of value, as in Cologne, up to 10 per cent for each 5 per cent increase in value in some other cities. The maximum limits varied still more widely: In Paderborn, for instance, the highest rate (15 per cent) was imposed in case of an increase of value of over 75 per cent, while in other towns the increase of

value taken into account in determining the rate was considerably higher, rising in some cases to 200 per cent. The highest tax imposed anywhere was 30 per cent where the increase of value was over 155 per cent."

The same principle was adopted by the British Parliament after a notable struggle over the budget of 1909. In October, 1913, the Province of Alberta enacted a law providing for an increment tax. While designed for the benefit of the provincial treasury, the tax is practically confined to urban lands. It does apply to high priced farm lands (worth over \$50 per acre) when held in large tracts (over 640 acres). The law provides:

"That there shall be paid upon the registration under *The Land Titles Act* of any transfer of land a tax of 5 per cent on the increased value of the said land over and above the value thereof according to the last preceding value for the purposes of this Act; excluding in all cases the cost of improvements or development work actually made or done upon or in connection with the said land."

All these increment taxes seek to reach only that part of the increased value which is "unearned," that is, which is due to what Mill calls "the ordinary progress of a society which increases in wealth, and which is at all times tending to augment the incomes of landlords; to give them both a greater amount and a greater proportion of the wealth of the community, independently of any trouble or outlay incurred by themselves." From the time of Adam Smith economists have recognized the peculiarity of ground-rents, and the value of land that they constantly tend to increase without any exertion or sacrifice on the part of the owners; that owners of land as Mill puts it "grow richer as it were in their sleep, without working, risking or economizing"; and that the increasing value of land or the rent arising from it, therefore, is a proper subject for special taxation. The principle is recognized in the English income tax which imposes a heavier tax on "unearned" incomes, such as those arising from rents and investments, than upon "earned" incomes derived from employment and the conduct of business. Most economists and the great majority of the people agree with Mill that while the taxing away of all the value which society has allowed to accrue to landowners would violate property rights which society is bound to respect, nevertheless there can be "no objection to

declaring that the future increment of rent should be liable to special taxation; in doing which all injustice to the landlords would be obviated, if the present market price of their land were secured to them since that includes the present value of all future expectations." *Principles of Political Economy*, Bk. V. Ch. II.

The taxation of the future increase in the value of land rests, therefore, on a sound theoretical basis. It appeals to the average man as just, and there can be little doubt that from the practical side it will in time justify itself as a wise fiscal policy. We make no recommendation for present legislative action upon this phase of real estate taxation but content ourselves with pointing out that here is a great source of private gain upon which from its character society as a whole has peculiar claims, and with commending the subject to the consideration of the legislature and the people of the commonwealth.

## CHAPTER V

## THE MORTGAGE TAX LAW

**Provisions of the Law.**—Prior to 1911 mortgages were treated as personal property and assessed, when listed at all, at the domicile of the owner. In that year a new departure was inaugurated by the so-called Smith Mortgage Tax Law, providing by a round-about method for the practical exemption of mortgages secured by real estate within the commonwealth. The act is entitled “An Act to Provide for the Taxation of Mortgages of Real Property and to Prevent Double Taxation on Encumbered Property in the State.” The act declares a mortgage on real estate in this state an interest in the real property for purposes of taxation. The amount and value of the mortgage is required to be assessed to the mortgagee or his assigns and the taxes levied thereon are made a lien on the mortgage interest; while the excess value of the real estate above the mortgage is assessable to the owner of the premises. But the mortgagor or the mortgagee may either assume the payment of taxes on the interest of the other. The two interests are to be assessed separately except where the mortgagor agrees to pay the taxes on both interests. In such cases the assessor “shall not enter said mortgage for separate assessment and taxation, but both interests shall be assessed and taxed to the mortgagor or owner of the property mortgaged.” The act was not to apply to mortgages filed before July 1, 1911, nor “to corporations, the property of which is now exempt from taxation.”

**The Operation of the Law.**—The arguments advanced in favor of the law at the time of its passage and more recently for its continuance were (1) that it would give relief from “double taxation” to a certain class of property; (2) that it would make it possible for residents to invest savings in home mortgages; and (3) that it would reduce the interest rate on real estate loans. It is probable that the last consideration carried the greatest weight with the members of the legislature.

The first purpose has of course in a round-about way been accomplished. The way lies open for the practical exemption of

real estate mortgages secured in the state, and in time this would be completely accomplished under the law. We have no exact data bearing on the second argument for the law, but an investigation made by Representative I. H. Hatfield in 1913 showed that for Lancaster county the "home-ownership" of Nebraska mortgages had to all appearances very considerably increased.

**1. Effect of Mortgage Exemption on the Interest Rate.**

—This has been a matter of considerable dispute. We have secured from twelve of the counties, through the kindness of the registers of deeds, a record of all the real estate mortgages filed in those counties, except those of building and loan associations, during the year ending June 30, 1911, and the year next following. For this first year under the new law we asked to have the mortgages listed separately according as they contained the "Tax-Clause" or did not. The returns cover almost four thousand mortgages. The results of the inquiry are presented in the table and the summary below. (The detailed tables by counties are printed in the Appendix B).

**Comparative Table Showing Number of Loans, Principal, Interest and Average Rate on Real Estate Mortgages  
Filed During the Year Preceding and the Year Following the Date When the Smith Mortgage  
Tax Law Became Effective**

| Counties                  | Year Ending June 30, 1911 |                             |                                | Year Ending June 30, 1912 |                             |                                |                                |                       |                             |
|---------------------------|---------------------------|-----------------------------|--------------------------------|---------------------------|-----------------------------|--------------------------------|--------------------------------|-----------------------|-----------------------------|
|                           | Number<br>of<br>Loans     | Total<br>Amount<br>of Loans | Total<br>Amount<br>of Interest | WITH TAX CLAUSE           |                             |                                | WITHOUT TAX CLAUSE             |                       |                             |
|                           |                           |                             |                                | Number<br>Loans           | Total<br>Amount<br>of Loans | Total<br>Amount<br>of Interest | Average<br>Rate of<br>Interest | Number<br>of<br>Loans | Total<br>Amount<br>of Loans |
| Banner.....               | 40                        | \$96,820.25                 | \$7,487.01                     | 33                        | \$47,561.23                 | \$3,700.32                     | 7.7                            | 21                    | \$22,051.35                 |
| Cuming <sup>1</sup> ..... | 48                        | 423,010.00                  | 23,441.01                      | 94                        | 367,996.00                  | 20,270.80                      | 5.5                            | 51                    | 145,692.00                  |
| Daves.....                | 149                       | 279,613.00                  | 22,612.52                      | 108                       | 218,979.00                  | 17,419.02                      | 7.9                            | 76                    | 121,297.00                  |
| Franklin.....             | 169                       | 398,442.00                  | 24,090.69                      | 159                       | 427,687.00                  | 24,649.30                      | 5.7                            | 36                    | 104,765.00                  |
| Hitchcock....             | 173                       | 217,117.60                  | 16,074.45                      | 102                       | 127,671.70                  | 9,789.43                       | 7.6                            | 67                    | 58,861.57                   |
| Hooker.....               | 37                        | 68,762.05                   | 5,114.75                       | 30                        | 34,933.33                   | 3,054.20                       | 8.7                            | 4                     | 2,675.00                    |
| Logan.....                | 50                        | 114,842.83                  | 8,527.81                       | 2                         | 1,500.00                    | 90.00                          | 6.0                            | 62                    | 80,570.15                   |
| Nemaha.....               | 200                       | 416,028.00                  | 25,337.21                      | 133                       | 348,311.00                  | 20,911.13                      | 5.9                            | 94                    | 275,368.00                  |
| Nuckolls.....             | 227                       | 634,086.59                  | 37,585.89                      | 178                       | 506,273.67                  | 29,141.79                      | 5.7                            | 109                   | 175,719.64                  |
|                           |                           |                             |                                | 262 <sup>2</sup>          | 644,977.00                  | 38,457.02                      | 5.9                            | 41                    | 106,007.00                  |
| Polk.....                 | 203                       | 430,499.00                  | 24,768.80                      | 201                       | 588,177.00                  | 33,033.65                      | 5.6                            | 13                    | 82,840.00                   |
| Wayne.....                | 241                       | 854,741.39                  | 49,702.89                      | 189                       | 751,963.90                  | 41,284.54                      | 5.4                            | 53                    | 132,087.65                  |
| .....                     | 83                        | 163,980.00                  | 11,594.10                      | 120                       | 213,381.00                  | 13,695.06                      | 6.4                            | 25                    | 45,140.00                   |
| Totals.....               | 1,620                     | \$4,117,942.71              | \$256,337.13                   | 1,611                     | \$4,280,011.83              | \$255,496.76                   | 5.96                           | 652                   | \$1,383,074.36              |
| Average....               |                           |                             | 6.22                           |                           |                             |                                |                                |                       | \$87,797.39                 |
|                           |                           |                             |                                |                           |                             |                                |                                |                       | 6.86                        |

<sup>1</sup>The figures for Cumming county also contained data on city mortgages, viz:

1911—Principal, \$14,243; Interest, \$962.80; Rate, 6.75%.

1912, With Tax Clause—Principal, \$33,050; Interest, \$1,525.50; Rate, 6.91%.

1912, Without Tax Clause—Principal, \$22,725; Interest, \$1,613.00; Rate, 7.09%.

These figures are for the year ending June 30, 1913. This makes possible a comparison of two years under the "Smith Mortgage Tax Law".

The results will be more clearly seen in the following summary:

|                                             | Loans          | Interest     | Average Rate |
|---------------------------------------------|----------------|--------------|--------------|
| Year June 30, 1911 . . . . .                | \$4,117,942.71 | \$256,337.13 | 6.22         |
| Year June 30, 1912:                         |                |              |              |
| With tax clause . . . . .                   | 4,280,011.83   | 255,496.76   | 5.96         |
| Without tax clause . . . . .                | 1,383,074.36   | 87,797.89    | 6.36         |
| Total with and without tax clause . . . . . | 5,663,086.19   | 343,294.65   | 6.06         |

The tables show that in two counties the average rate on mortgages having the tax clause was the same during the first year under the law as it was for the year ending June 30, 1911. In three counties it was higher; in the other seven the rate was lower. For all counties the average rate was 6.22 per cent in 1911; on mortgages with the tax clause it was in 1912 5.96 per cent and on those without the tax clause 6.36 per cent. Comparing all mortgages listed for the two years the average rate was for the year ending June 30, 1911, 6.22 per cent, and for the first year under the law 6.06 per cent.

It is therefore not correct to say that the mortgage rate rose under this law, though in view of the general stiffening of the interest rate throughout the country in 1911 and 1912 a rise might well have occurred. Certainly there was no ground for expecting any considerable fall in the interest rate as a consequence of exempting mortgages. The rate on that class of paper had already been determined before the law went into force, on the assumption of practical exemption. The great mass of mortgage loans is owned by banks, trust and insurance companies, and are not directly taxable as such; or they are made for export to jurisdictions where their ownership cannot be traced. Many cases could, of course, be found where individuals had been willing to lend at the going rate and yet pay the local taxes in order to have their security in sight; but the number of loans made under such circumstances must have been so few compared with those not intended for taxation as to have had little or no effect on the rate of interest. There should, therefore, have been no disappointment when it was found that as a rule the mortgagor assumed the tax and got but a slight reduction in the interest rate. The mortgagor has not been injured directly by the law

and its provision permitting him to shoulder the tax; for his land was before 1911 assessed to him and no more than this is assessed to him now. Moreover, he does get his loan at a slightly lower rate, apparently on account of more local funds being available for real estate loans; and this in spite of a general advance in the interest rate. Still if the law was not passed for the purpose expressed in the title, or rather as a measure to relieve local owners from the necessity of concealing their property in order to escape double taxation, it would seem hardly to have been justified.

2. **Effect on the Volume of Mortgages Listed.**—The effect of the law on the volume of mortgages returned for taxation is seen in the following table:

**Assessed Value (One-fifth of Actual Value) of Notes Secured by Mortgage on the Grand Assessment Roll**

|                |               |                |               |
|----------------|---------------|----------------|---------------|
| 1904.. . . . . | ..\$4,501,215 | 1912.. . . . . | ..\$6,397,155 |
| 1909.. . . . . | .. 6,446,660  | 1913.. . . . . | 4,769,780     |
| 1910.. . . . . | .. 7,249,134  | 1914.. . . . . | 3,221,007     |
| 1911.. . . . . | .. 7,964,167  |                |               |

This shows a falling off of this item in the assessment of \$4,743,160, or almost 60 per cent since 1911. The withdrawal of this amount from taxation involves of course an increase of taxes upon those who hold other kinds of property. There is no way of knowing how much of this item is represented by mortgages on land outside the state, owned by residents of the state.

**Effect on the Banks.**—One result of the act seems to have been quite unforeseen. We refer to the way the act has been made to bear on the taxation of banks.

While the assessment for 1912 was in progress the question was raised as to whether Nebraska mortgages held by banks were assessable to the banks. It was promptly ruled by the State Board of Equalization and Assessment that they were not; that so far as they represented the investment of deposits they should not be assessed to the banks since deposits were by law assessed to the depositors; that so far as they represented investment of capital they should not be assessed, since their value was already reflected in the value of the bank stock, the taxation of which was provided for by a section not repealed or in any way modified by the act of 1911.

Some of the banks were not content with the view that they were not affected by the law. So far as known they did not return any mortgages without the tax-clause for separate assessment and taxation. But because of the generous provision of the section dealing with the assessment of banks, which allows them in determining the taxable value of their capital stock to deduct the value of their "real estate and other tangible property assessed separately," and the broad declaration in the act of 1911 that "a mortgage on real estate in this state is hereby declared to be an interest in real estate for purposes of assessment and taxation," the banks have established their right to deduct the value of their mortgages secured in this state from the value of their capital stock. *First Trust Company of Lincoln v. Lancaster County*, 93 Neb., 792.

The effect of this ruling on the value of bank stock returned for taxation is seen in the following table:

**The Assessed Value (One-fifth of the Actual Value) of Bank Stock, and the Capital Surplus and Undivided Profits of State Banks at the Call Date Nearest the Assessment Date in Each Year**

| Year      | Assessed Value<br>State Bank<br>Stock | Capital Stock<br>Surplus and Undivided<br>Profits | Bank Building,<br>Furniture and Fixtures<br>and Other<br>Real Estate |
|-----------|---------------------------------------|---------------------------------------------------|----------------------------------------------------------------------|
| 1910..... | \$2,618,140                           | \$16,848,589 (May 11)                             | \$2,585,832                                                          |
| 1911..... | 2,681,827                             | 17,215,102 (Feb. 17)                              | 2,759,420                                                            |
| 1912..... | 2,811,797                             | 18,119,527 (Feb. 16)                              | 2,909,482                                                            |
| 1913..... | 2,908,034                             | 19,219,965 (Feb. 15)                              | 3,225,216                                                            |
| 1914..... | 2,612,748                             | 20,317,860 (May 16)                               | 3,546,045                                                            |

**Deductions from Capital Stock.**—Reports were received from seventy counties in response to our inquiry as to the amount of deductions made from the value of the capital stock of banks. We made no attempt to ascertain how much was deducted from the capital stock of other corporations assessed on a method analogous to that for assessing banks, though it is known that some such deductions were made. Of the 70 counties reporting, 41 reported deductions in one or both years, and 29 reported "no deductions" for the year or years for which the return was made

Of the 20 counties not reporting most probably had no deductions to report. Omitting these counties the results are shown in the table which follows:

**Table Showing by Counties the Actual Value of Mortgages Deducted from the Capital Stock of Banks Under the Mortgage Tax Law, 1913 and 1914**

| County          | 1913     | 1914      | County           | 1913        | 1914        |
|-----------------|----------|-----------|------------------|-------------|-------------|
| Adams .....     | \$47,765 | \$48,637  | Keya Paha ..     | \$38,640    | .....       |
| Antelope .....  | None     | None      | Kimball .....    | None        | None        |
| Boone .....     | 230,440  | 79,152    | Lancaster .....  | 500,168     | \$714,568   |
| Box Butte ..... | None     | 34,922    | Logan .....      | None        | None        |
| Brown .....     | None     | 10,185    | Madison .....    | 83,210      | .....       |
| Buffalo .....   | None     | .....     | McPherson .....  | None        | 4,870       |
| Cass .....      | None     | .....     | Merrick .....    | None        | None        |
| Cedar .....     | None     | None      | Nance .....      | None        | 11,650      |
| Chase .....     | None     | 17,889    | Nemaha .....     | 55,815      | 84,977      |
| Cherry .....    | 2,025    | .....     | Nuckolls .....   | 75,000      | 6,500       |
| Cheyenne .....  | None     | None      | Otoe .....       | None        | None        |
| Clay .....      | .....    | 77,317    | Pawnee .....     | None        | 34,602      |
| Colfax .....    | 157,575  | .....     | Perkins .....    | None        | None        |
| Cuming .....    | None     | None      | Phelps .....     | None        | 15,000      |
| Custer .....    | None     | 79,025    | Pierce .....     | None        | None        |
| Dawes .....     | None     | None      | Platte .....     | None        | .....       |
| Dawson .....    | None     | None      | Polk .....       | None        | 295         |
| Dixon .....     | None     | .....     | Red Willow ..    | None        | None        |
| Dodge .....     | .....    | 61,074    | Richardson ..    | 85,625      | 297,134     |
| Douglas .....   | 923,658  | 1,313,448 | Saline .....     | 113,360     | 240,789     |
| Dundy .....     | None     | None      | Sarpy .....      | None        | 45,480      |
| Filmore .....   | None     | None      | Saunders .....   | None        | 293,701     |
| Franklin .....  | 74,678   | 70,482    | Scott's Bluff .. | None        | None        |
| Frontier .....  | 51,720   | 47,185    | Seward .....     | 42,200      | None        |
| Furnas .....    | None     | 7,100     | Sheridan .....   | None        | 115,507     |
| Gage .....      | 180,725  | 308,392   | Sherman .....    | 26,345      | 30,500      |
| Gosper .....    | None     | 14,445    | Stanton .....    | None        | None        |
| Grant .....     | None     | None      | Thayer .....     | None        | None        |
| Greeley .....   | 2,384    | 8,611     | Thomas .....     | None        | None        |
| Hall .....      | None     | None      | Thurston .....   | None        | None        |
| Hamilton .....  | None     | 38,867    | Valley .....     | 7,000       | 68,812      |
| Harlan .....    | 51,283   | 76,746    | Washington ..    | None        | None        |
| Holt .....      | None     | 36,200    | Wayne .....      | None        | None        |
| Hooker .....    | 3,768    | None      | Webster .....    | .....       | 52,000      |
| Howard .....    | None     | .....     | Wheeler .....    | None        | 1,600       |
| Jefferson ..... | 59,020   | 178,708   | York .....       | 86,130      | 372,721     |
| Johnson .....   | 19,942   | 107,486   |                  |             |             |
| Kearney .....   | None     | .....     |                  |             |             |
| Keith .....     | 13,520   | 13,520    |                  |             |             |
|                 |          |           | TOTAL .....      | \$2,931,996 | \$5,020,097 |

**Conclusions and Recommendations.**—Three courses may be followed with respect to this law:

1. *Repeal it Unconditionally.* This was strongly urged in the 1913 session of the legislature. A bill for that purpose passed the House by a vote of 54 yeas to 37 nays, but failed in the Senate by a vote of 20 to 6. If this plan is followed it would make little if any difference in case the tax amendment is adopted and the legislature enacts an income tax law. All kinds of securities would be exempt under such a plan. We can see no serious objection to repeal in case the legislature chooses the classified property tax as a means of dealing with intangibles. There is indeed good reason for treating domestic and foreign mortgages in the same way. But if the amendment fails we believe it would be a mistake, a backward step, to repeal the law. All the reasons for its enactment in 1911 still exist. Repeal would mean a check to the free investment of home capital in real estate mortgages and probably a slight advance in the interest rate. It would lead to the concealment of the ownership of about the only kind of intangibles a conscientious taxpayer can now afford to own. It would moreover give a sense of shiftiness in dealing with such matters that is wholly undesirable. While it would lead to an increase of "property" on the assessment rolls and thus reduce the rate on other classes, it would, as before the passage of the law, impose an unfair burden upon those owners of mortgages who will not or cannot take advantage of the numerous devices for escaping the tax.

2. *Leave the Law as it Stands.* This we do not approve. As now interpreted it does not meet the reasonable expectation of those responsible for its passage. This suggests as the proper course the third alternative.

3. *Amend the Law so as to Conform to its Original Purpose.* Among the measures introduced at the last session dealing with this statute was a proposal to amend the law so as to forbid the mortgagor to assume the tax on the mortgage interest. On the face of it this seems like a fair adjustment as between the parties concerned. But it is a cumbersome method to follow. The mortgagee would have to swear off payments as they are made in order to reduce the base for his tax and

corresponding additions would have to be made year by year to the mortgagor's interest. But of more consequence, such an amendment would not have the desired effect of making the owner of the mortgage pay the tax. The interest rate cannot be changed by an act of the legislature. There seems to be a feeling abroad that if the exemption of mortgages in 1911 did not greatly reduce the interest rate, the enforced requirement that the mortgagee shall pay the tax would not cause the rate to rise. The two conditions are quite different. We have considered the conditions which placed a limit upon the fall of interest rate in 1911. The effect of the proposed change can be foreseen. It is obvious that lenders who have a choice between placing their loans in a state where a tax must be paid and states where such tax is not required, will naturally choose the latter. The only condition on which foreign money would come in for investment would be that of an interest rate enough higher than the normal return to pay the tax. A careful study of the operation of such a provision in California showed a few years ago that the lenders secured something above such a margin. Resident investors desiring to avoid taxation would buy foreign mortgages, easily concealed, unless attracted to home mortgages by a higher rate of interest. The few investors willing to loan only on security within sight would have but slight effect upon the rate. The conclusion seems inevitable that the tax would be shifted to the borrower and paid in a higher rate of interest.

Our recommendation is simply for such amendments to the revenue law as will deprive the banks and other corporations taxed on the basis of their capital stock the privilege they now enjoy of deducting mortgages from the value of their shares. The provisions for deductions under Section 56 of the Revenue Act were already too generous before 1911. Banks are allowed to deduct the assessed value of all real estate or other tangible property owned by them and assessed separately. We believe this section should be amended so as to limit the deductions to the assessed value of the banking house, if owned, and the furniture and fixtures. This is the Wisconsin provision, except that there the banks are not allowed to deduct furniture and fixtures. In New York banks are taxed on the basis of capital, surplus and undivided profits, and no deduction is allowed for any real estate owned. The item of real estate other than banking house for the

Nebraska state banks, October 21, 1913, was \$352,434.21. The national banks of the state on the same date had "other real estate and mortgages owned" amounting to \$795,464.48. How much of this was real estate we have no means of knowing. This amendment would effectually dispose of the claim of banks to deduct mortgages under the Smith Law on the ground that they are real estate within the meaning of that statute.

## CHAPTER VI

## THE TAXATION OF CORPORATIONS

## I. THE PUBLIC SERVICE CORPORATIONS

## 1. The Railroads

The railroad property of the state, next to real estate, constitutes the largest item in the grand assessment roll. The relative importance of this property since 1867 is shown in the table on p. . At present it represents 11.86 per cent of the total valuation.

The railroad property, except that situated outside the right-of-way, is assessed by the State Board of Equalization and Assessment and the valuation pro-rated to the counties and other civil divisions on the basis of "the number of miles of main track or line." The law has been construed to give the Board the right to classify the mileage of a system as "main line" and "branches" and to ascribe different values per mile of road accordingly. Thus in 1912 the main line of the Burlington from Plattsmouth to the Colorado state line was valued at \$80,000 per mile (assessed at \$16,000 per mile); the main line from Rulo to Oxford was valued at \$52,500 per mile; while the branch from South Sioux City to O'Neill at \$25,000; the high line from Holdrege via Curtis to the state line at \$35,000. The main line of the Union Pacific was valued at \$107,500 per mile for the whole distance across the state and most of its branches at \$46,000, and so on. It will be seen that this method of apportioning the value of the railroads is highly advantageous to those counties which have relatively little terminal property, such as station grounds and switch yards, and where land values are low, since the values of terminal property and the right-of-way through high priced lands are spread out to the less favored parts of the state:

**Terminal Assessments.**—This situation was recognized in an act of 1907 providing for "Terminal Taxation" so-called. This act provides for a separate assessment of the railway property within the corporate limits of cities and villages, upon which to base municipal taxes only. The local assessors are required

to find the value of the right-of-way and the property situated thereon; the State Board finds the value per mile of the "intangible property and rolling stock," and this added to the local assessment gives the basis for municipal taxes. By this method the municipalities secure a substantial increase of taxes without depriving the outlying districts of their advantage pointed out above.

The railroads are also subject to the occupation tax paid into the state treasury. From this source about \$13,000 was derived in 1914.

**Yield of Railroad Taxes.**—Taxes paid by the railroads in the state since 1900 as given in the reports of the Interstate Commerce Commission are shown in the table below. For purposes of comparison the taxes per mile of line for Nebraska and the neighboring states of Kansas and Iowa are given:

**Railroad Taxes Paid in Nebraska 1900-1914**

| Year Ending June 30 | Total Taxes            | Taxes<br>per Mile<br>of Line | Taxes per Mile<br>of Line in |       |
|---------------------|------------------------|------------------------------|------------------------------|-------|
|                     |                        |                              | Kansas                       | Iowa  |
| 1900.....           | \$1,125,121            | \$198                        | \$255                        | \$159 |
| 1901.....           | 1,147,159              | 200                          | 252                          | 164   |
| 1902.....           | 1,168,622              | 204                          | 251                          | 171   |
| 1903.....           | 1,152,523              | 199                          | 251                          | 182   |
| 1904.....           | 1,288,953              | 223                          | 277                          | 208   |
| 1905.....           | 1,296,686              | 224                          | 272                          | 212   |
| 1906.....           | 1,389,174              | 240                          | 305                          | 217   |
| 1907.....           | 2,546,264              | 429                          | 296                          | 234   |
| 1908.....           | 1,858,096              | 309                          | 343                          | 230   |
| 1909.....           | 1,873,305              | 331                          | 309                          | 242   |
| 1910.....           | 2,030,864              | 335                          | 334                          | 253   |
| 1911.....           | 2,182,954              | 360                          | 316                          | 269   |
| 1912.....           | 2,280,435 <sup>1</sup> | 368                          | ....                         | ....  |
| 1913.....           | 2,302,536 <sup>1</sup> | 370                          | ....                         | ....  |

It will be seen from this table and the one on page (22) that the railroad taxes have not increased as rapidly as the taxes on general property. This is due in part to the fact that the railway net itself has in recent years made no great growth. The increase in taxes per mile of line, however, has been substantial. Since 1903, the taxes per mile of line have increased \$171, or 85

<sup>1</sup>The figures for 1912 and 1913 are from the Sixth Annual Report of the State Railway Commission and are for the seven large companies only.

per cent. Since 1905 the increase has been \$146 per mile, or 65 per cent. Compared with the railroad taxes paid in neighboring states those in Nebraska appear to be adequate. They exceed those of Iowa throughout the period. This does not imply that they are too high here, for there has been much complaint that in Iowa railroad property does not bear its just share of the tax burden. During the early part of the period covered by the table Nebraska roads were taxed considerably below those in Kansas but since 1909 the conditions have been reversed. The taxes for all the roads of the United States for the fiscal year 1911 were \$442 per mile. In that year the roads of the state paid \$360.

Another way of comparing the yield of these taxes is to reduce them to a gross earnings basis. We give in the tables below, for the fiscal years 1912 and 1913, and for the calendar year 1913, the gross earnings in Nebraska, taxes paid, the percentage these taxes were of the gross earnings; and for comparative purposes what the taxes would be at 4 per cent and at 5 per cent for the seven largest railroads in the state:

TABLE I

**Railroad Taxes in Nebraska for the Year Ending June 30, 1912**

| Name of Road         | Gross Earnings in Nebraska | Taxes Paid Year June 30, 1912 | Taxes Per cent. of Gross Earnings | Taxes on Gross Earnings |             |
|----------------------|----------------------------|-------------------------------|-----------------------------------|-------------------------|-------------|
|                      |                            |                               |                                   | At 4%                   | At 5%       |
| Union Pacific.....   | \$17,554,540               | \$695,215                     | 3.96                              | \$702,182               | \$877,727   |
| C., B. & Q.....      | 20,892,008                 | 962,920                       | 4.61                              | 835,680                 | 1,044,600   |
| C. & N. W.....       | 6,677,786                  | 307,718                       | 4.61                              | 267,111                 | 333,889     |
| C., St. P., M. & O.  | 1,959,158                  | 111,369                       | 5.68                              | 78,366                  | 97,958      |
| C., R. I. & P.....   | 1,537,778                  | 81,934                        | 5.33                              | 61,511                  | 76,889      |
| Mo. Pac.....         | 1,527,077                  | 93,464                        | 6.12                              | 61,083                  | 76,354      |
| St. Jos. & G. I..... | 458,349                    | 27,815                        | 6.07                              | 18,334                  | 22,917      |
| Total.....           | \$50,606,696               | \$2,280,435                   | 4.51                              | \$2,024,267             | \$2,530,334 |

**TABLE II**  
**Railroad Taxes in Nebraska for the Year Ending June 30, 1913**

| Name of Road         | Gross Earnings in Nebraska | Taxes Paid Year June 30, 1913 | Taxes Per cent. of Gross Earnings | Taxes on Gross Earnings |             |
|----------------------|----------------------------|-------------------------------|-----------------------------------|-------------------------|-------------|
|                      |                            |                               |                                   | At 4%                   | At 5%       |
| Union Pacific.....   | \$19,391,754               | \$750,607                     | 3.87                              | \$775,670               | \$969,588   |
| C., B. & Q.....      | 20,942,454                 | 963,763                       | 4.60                              | 837,698                 | 1,047,123   |
| C. & N. W.....       | 6,532,333                  | 298,244                       | 4.57                              | 261,293                 | 326,617     |
| C., St. P., M. & O.  | 1,975,988                  | 100,575                       | 5.09                              | 79,040                  | 98,799      |
| C., R. I. & P.....   | 1,519,920                  | 73,659                        | 4.85                              | 60,797                  | 75,996      |
| Mo. Pac.....         | 1,728,063                  | 90,643                        | 5.24                              | 69,123                  | 86,403      |
| St. Jos. & G. I..... | 455,072                    | 25,045                        | 5.50                              | 18,203                  | 22,754      |
| Total.....           | \$52,545,584               | \$2,302,536                   | 4.38                              | \$2,101,824             | \$2,627,280 |

**TABLE III**  
**Railroad Taxes in Nebraska Exclusive of Corporation Occupation Fee and Taxes on Property Locally Assessed for the Year Ending December 31, 1913**

| Name of Road         | Gross Earnings in Nebraska | Taxes Paid for 1913 | Taxes Per cent. of Gross Earnings | Taxes on Gross Earnings |             |
|----------------------|----------------------------|---------------------|-----------------------------------|-------------------------|-------------|
|                      |                            |                     |                                   | At 4%                   | At 5%       |
| Union Pacific.....   | \$19,648,066               | \$814,157           | 4.14                              | \$785,923               | \$982,403   |
| C., B. & Q.....      | 21,032,288                 | 1,055,580           | 5.02                              | 841,292                 | 1,051,614   |
| C. & N. W.....       | 6,895,766                  | 333,867             | 4.84                              | 275,831                 | 344,788     |
| C., St. P., M. & O.  | 2,040,125                  | 112,918             | 5.53                              | 81,605                  | 102,006     |
| C., R. I. & P.....   | 1,485,156                  | 77,214              | 5.20                              | 59,406                  | 74,258      |
| Mo. Pac.....         | 1,728,063                  | 107,656             | 6.23                              | 69,123                  | 86,403      |
| St. Jos. & G. I..... | 449,364                    | 28,437              | 6.33                              | 17,975                  | 22,468      |
| Total.....           | \$53,278,828               | \$2,529,829         | 4.75                              | \$2,131,155             | \$2,663,940 |

The tables show considerable inequalities between the stronger and the weaker roads under our ad valorem system. The average rate based on gross earnings is higher than the average for the roads of the United States. The latest year for which official figures are available is the fiscal year 1911 when the railroads of the United States paid taxes amounting to \$108,309,512, equivalent to 3.88 per cent of their gross earnings. The estimated equivalent for 1912 was 4.21 per cent and for 1913, 4.14 per cent. It will thus be seen that the railroad taxes in

Nebraska are slightly above the average for the country as a whole when reduced to the basis of earnings.

**Does Railroad Property Bear a "Fair Share" of the Tax Burden?**—The answer to this question will depend on one's view of what constitutes a "fair share." If by it is meant a share proportionate to the burden borne by other classes of property, we believe it does. Comparison can be best made for 1911, the latest year for which we have the valuation made by the engineering department of the State Railway Commission. The engineers found the present value of the seven large roads of the state to be \$273,683,779. The State Board found the actual value of these roads on May 3 of that year to be \$272,522,072. But this included the "franchise" or intangible value as well as the value of the physical property. The Board in making the assessment for terminal taxation is required to find the value of "intangible property and rolling stock for each road. These two items for the seven roads amounted to \$130,322,550. The rolling stock as valued by the engineering department for that year amounted to \$26,599,487, leaving as the value of intangible property \$103,723,063. The true value can thus be found by adding the value of the physical property as found by the engineers and the intangible property as found by the Board. This gives a true value of \$377,406,842. The Board therefore assessed the railroads at 72 per cent of the true value thus computed. We have no means of comparing this with the assessment of all kinds of property; but accepting the estimates of the true value of lands made by Mr. Reed of the Railway Commission for 1913 it seems that this important class of property was assessed on the average at 73 per cent of its true value (p.64). It appears, therefore, that the railroads are being assessed at a percentage of their true value very close to that of the lands of the state.

Another comparison can be made. It is sometimes pointed out that a large part of the property of railroads lies in the open country where the tax rates are low and thus they are taxed below the average rate. Without passing judgment on this course of reasoning the following facts may be adduced: The average rate of ad valorem taxes as found by the State Board in 1913 was 47.25 mills. If this rate had been applied to the assessed valuation of the seven large companies (\$55,450,780) it would have produced \$2,620,049 in taxes. The taxes paid by these

seven companies, exclusive of occupation taxes, and taxes on locally assessed property amounted to \$2,530,011. It will thus be seen that the railroads pay very nearly the average rate of taxes on a valuation which is probably as near the true value as that of the general property of the state.

**The Test of Profits.**—Another method of comparing the railroad taxes with those on other property is to reduce such taxes to an income basis. The data for such a comparison can be obtained for the railroads and other public service corporations, but for the most important industry in the state and the one with which comparison is most desirable—the agricultural industry, only fragmentary information is available. It appears very probable, however, that if the facts could be learned they would show that a larger part of the net revenue from the agricultural industry is taken for taxes than is taken from the net earnings of the railroad industry as a whole. From the nature of the two industries this might normally be expected, for on the whole investments in real estate are looked upon as among the safest of investments, while railroad investments have long been regarded as more precarious especially for the small investor. Under such conditions a lower rate of return for land owners, and it may also be said for the operation of land, would normally be expected. No adequate means, however, are at present available for such a comparison.

**Distribution of the Railroad Taxes.**—The most pressing problem in connection with the taxation of railroads relates to their distribution. The present plan is based on the generally accepted rule that tangible property both real and personal is taxable at its situs. The value of the railroads is localized in the taxing districts through which they run, just as the value of real estate, factories, or stocks of goods are localized. Now this method applied to railway property gives some peculiar results. In the first place the railroads are assessed on the “unit” plan, i. e. the value of the whole property is found, the share of this within the state for purposes of taxation determined, this share again pro-rated to the different taxing districts according to mileage of main track. Thus the Cheyenne county part of the main line of the Union Pacific is given the same value per mile as that lying in Douglas county. The Railway Commission’s engineers found the “present value” of the Union Pacific Railway

and structures thereon to be \$657,128 per mile for the eastern section of the road extending from Omaha to Lane Junction; from Grand Island to Columbus Junction, \$121,864, and for the western section from Julesburg to the Wyoming line \$34,466 per mile.

If the only result of the present plan was to give a disproportionate value to the less developed counties of the state comparatively little complaint would be heard. But all the railroad values are absorbed for purposes of taxation by the local governments through which they run. The school districts are chiefly affected by this plan. The outlying districts receive no railroad taxes and the burden of maintaining the schools is a heavy one. This is especially true of districts in counties where the value of real estate is low. Often districts having no railroad mileage may have to levy 30 or 35 mills for schools while neighboring districts otherwise similar have to levy but 5 or 6 mills. How to deal with the situation which has thus grown up is a difficult problem. Two principal methods of dealing with it have been proposed:

1. Turn all the railroad taxes into the general fund of the state treasury thus relieving general property from state taxes in great part.

2. Let the state collect all the railroad taxes and apportion them to the school districts in proportion to school population.

These methods are further discussed in the chapter on Separation of Sources of Revenue.

## 2. SLEEPING CAR COMPANIES

**History and Present Method of Taxation.**—Until 1889 no provision was made for taxing these companies. An act of that year provided for the assessment of sleeping cars not owned by the railway companies by the State Board of Equalization. Information for making an assessment was furnished by the railway companies. They were required to report the number of cars used over their lines, the total number of miles run by such cars and the number of miles run within the state. The Board found the value of the average number of cars used, and took for the value in this state such a proportion thereof as the mileage run in the state bore to the total mileage run.

This rule remained in force till 1903 when the present law was enacted.

The sleeping car companies now report directly to the Board. The rule for apportioning value to the state is changed from a "miles run" basis to the "miles of main track" basis. The present rule is as follows: "The State Board shall assess that portion of such total value which the number of miles of railroad main track over which such cars shall run were used within this state bears to the total number of miles of railroad main track over which such cars were used everywhere. Such assessment shall be included in the records and proceedings of the Board, and shall be pro-rated among the several counties traversed by railway having said cars and shall be apportioned by the county clerk" in the same way railroad taxes are apportioned. In addition to the property tax thus provided for sleeping car companies they are subject to the occupation tax on corporations.

**Operation of the Law.**—The assessed (one-fifth of the actual) valuation of this class of property since 1900 is shown in the following table:

|      |                                        |      |           |
|------|----------------------------------------|------|-----------|
| 1900 | \$25,559.....                          | 1907 | \$115,790 |
| 1901 | 23,517.....                            | 1908 | 117,919   |
| 1902 | Not separated from R. R. Property..... | 1909 | 122,364   |
| 1903 | Not separated from R. R. Property..... | 1910 | 118,082   |
| 1904 | 94,710.....                            | 1911 | 124,869   |
| 1905 | 94,710.....                            | 1912 | 125,085   |
| 1906 | 104,965.....                           | 1913 | 129,087   |
| ..   | ..                                     | 1914 | 140,445   |

The Pullman Company which controls the whole of this class of business in the state paid property taxes for the year 1913 amounting to \$5,260. These taxes were paid in sixty-five counties in amounts ranging from \$12.57 in Washington county to \$253.07 in Douglas. In forty-six counties the tax was less than \$100. In addition to the property taxes this company paid also an "annual fee" of \$250 under the corporation occupation tax law.

We have no satisfactory way of determining whether these payments constitute a fair tax or not. Wisconsin with about one-quarter more miles of railroad than Nebraska makes an assessment of this company about double that of Nebraska and

collects nearly twice as large a tax. Minnesota with one-third more miles of railroad collects twice as large a tax. In both these states at least one important road operates its own sleeping and dining car service which is assessed with railroad property. Kansas with 50 per cent more railroad than Nebraska has collected an average of \$20,000 for the past three years from the Pullman Company, that is a sum about four times as great as the property tax collected in this state.

**Criticism and Recommendations.**—While the comparative figures given above are by no means conclusive in all respects they give strong indications that the present method of assessment does not secure to the state a proper share of the company's property for purposes of taxation. The method itself is faulty. In the first place because it attempts only to determine the state's share of the value of cars used in the state, thus ignoring entirely the intangible or franchise value attaching to the use of such property. Secondly, the method of determining the state's share of the value of the cars is arbitrary and has no direct relation to the amount of business done in the state or the earnings therefrom. If the company is to be taxed on the ad valorem basis the law should be so amended as to give the assessing board information as to capital, earnings, property and car operations such as will enable it to assess the intangible as well as the tangible property employed in the state. The Kansas law requires the return of a schedule containing twenty-five or more items. The rule for determining the state's share of the company's property should also be changed to a mileage basis. We believe the Kansas rule in this matter is more equitable than the present one.

The distribution of the tax should be changed. Every consideration as to the nature of the property, character of the business, and ease of administration, marks this as a natural source of state revenue. The tax is in no sense a local one. It is pure fancy to localize Pullman cars in the counties through which they run, sometimes without ever making a stop. We therefore recommend that the proceeds of the tax be turned into the general fund of the state treasury. This should be done even though the ad valorem method be retained; the reasons for making it a state tax will be more imperative if the basis is changed from value to gross earnings.

**The Gross Earnings Tax.**—In case the pending tax amendment is adopted we recommend the taxation of this kind of business on the basis of gross earnings. This form of taxation commends itself for all public service corporations and particularly for car companies the valuation of which presents some peculiar difficulties. The judgment of the assessor need not be relied upon under this plan for the gross earnings of such corporations are already a matter of public information. The tax adjusts itself to shifting conditions of business. When the volume of business is large the tax increases, and when business declines the tax is automatically reduced. It is simple, certain, fair to the public and to the companies, and easy to administer. About a score of states use this method of taxing car companies. Six of them impose a gross earnings tax in lieu of all other property taxes. The rates vary considerably, on different classes of companies. The California rate on intra-state and the state's share of interstate earnings of sleeping car companies is per cent; the Connecticut Commission of 1913 recommended a  $3\frac{3}{4}$  per cent rate for that state; the Rhode Island rate is 1 per cent; Minnesota charges 5 per cent; the Arizona rate on intra-state earnings only, is 7 per cent.

All circumstances considered we think a 5 per cent tax on the gross earnings of the Pullman Company would subject it to a tax burden equivalent to that borne by the general property of the state. This is a higher tax than the company now pays taking the country as a whole. In 1912 its gross earnings amounted to \$40,103,216, its taxes to \$962,371, making the equivalent gross earnings tax 2.4 per cent. Just what the effect of a 5 per cent tax would have on the revenues we have not computed because of lack of information. It is safe to assume, however, that it would add to the state's revenues.

**Other Car Companies.**—For the reasons set forth above we recommend placing other car companies on a gross earnings basis in case the amendment carries. The legislature at its last session wisely turned the taxes from this source into the state treasury. But these companies are still subject to ad valorem taxes; and all the difficulties encountered in determining the true value of the property of the sleeping car companies is encountered in the valuation of car companies engaged in carrying merchandise.

**Summary.**—The present method of assessing car companies is cumbersome and uncertain, and it fails to reach the intangible values connected with such a business. If the constitution is amended so as to remove all doubt concerning the right to impose a tax on gross earnings we recommend that method of taxing all such companies. The tax should be based upon all intra-state earnings and Nebraska's share of the inter-state earnings. For all these private car companies we recommend a rate of 5 per cent, the proceeds of the tax to be paid into the general fund of the state treasury.

### 3. The Express Companies

**The Present Method.**—The express, telegraph and telephone companies are taxed under the same sections of the revenue law and by the same method. Each company is required to make a return to the county assessor of its personal property "and of the gross receipts of its business in said local assessing district for the year ending April 1." \* \* \* \* \* "Such gross receipts to be taken and considered as an item of property and be so listed and levied against the same as other property. Such gross receipts shall represent the franchise valuation which shall not be otherwise assessed."

While the statute remains in its essential features as enacted in 1903, the court has modified it by interpretation in several important respects. It was early held that the receipts from inter-state business were not subject to taxation by the state. *State v. Fleming*, 70 Neb. 523. In *Western Union Telegraph Co. v. Omaha*, 73 Neb. 527, 545, 1905, the court while upholding the right of the state to tax the "franchise" of corporations engaged in business within its borders, held that the tax must be by valuation and that the amount of gross receipts of express, telephone and telegraph companies during the year prior to the time of assessment, taken alone, is not a reasonable and just method of ascertaining the value of the franchise possessed by such corporations; that it fixes an arbitrary rule, not founded upon justice nor upon any definite relation between receipts and value and is in violation of the rule laid down by the first subdivision of Section 1, Article IX of the constitution. The law as it stands, however, still requires a return of gross receipts to be treated as an "item of property." To what extent this is done the returns

do not accurately show. The law, however, seems quite generally to be complied with. As far as the facts are ascertainable they are as follows: In 1911, the Railway Commission found the "present value" of the property of express companies to be \$150,007 and the "reproduction value" \$206,806. The assessed valuation in 1913, the first year the express company valuation is given as a separate item, was \$206,954, making an actual value of \$1,034,770. This seems to indicate that the companies report earnings for local taxation amounting to more than \$800,000, a sum not far short of their actual intra-state earnings. In 1913 the three large companies paid local property taxes amounting to \$15,082.32.

**Local Occupation Taxes.**—Under the law permitting municipalities to impose taxes on the right to conduct various businesses, many cities impose occupation taxes on the express companies. Sometimes such taxes are laid in proportion to earnings, but more often in the form of a flat rate ranging from \$5 to \$60. The total local taxes paid by the three large companies in 1913 are shown in the following table:

| Name             | Taxes on                                   |                        | Number of<br>Towns Imposing |
|------------------|--------------------------------------------|------------------------|-----------------------------|
|                  | Property Including<br>Earnings as Property | Local Occupation Taxes |                             |
| Adams.....       | \$6,183.25                                 | \$1,354.80             | 32                          |
| American.....    | 7,534.96                                   | 1,028.92               | 30                          |
| Wells Fargo..... | 1,304.11                                   | 268.78                 | 8                           |
|                  | <hr/> \$15,082.32                          | <hr/> \$2,652.50       |                             |

**The Two Per Cent Tax of 1913.**—The legislature of 1913 provided for an additional tax on each express company "for the privilege of exercising its corporate franchise or carrying on its business in such corporate or organized capacity in this state." The tax is payable on or before November 1 each year at the rate of 2 per cent upon its gross earnings from intra-state business, apparently for the year ending June 30, preceding. It seems that the "gross earnings" were not intended to cover receipts other than those from transportation and no provision is made for reaching the state's share of inter-state earnings.

The question has been raised whether this tax was payable for the year ending June 30, 1913. In fact the validity of the act in its present form has been questioned. In 1913 one com-

pany paid the tax, but in 1914 none has made the payment within the time fixed by law. If the tax had been collected in 1913 it would have produced a state revenue from the four large companies of nearly \$20,000 as follows:

| Name               | Intra-State Earnings<br>for Year Ending June<br>30, 1913 | Occupation<br>Tax at<br>2 Per Cent |
|--------------------|----------------------------------------------------------|------------------------------------|
| Adams.....         | \$425,914                                                | \$8,518.25                         |
| American.....      | 457,540                                                  | 9,150.80                           |
| Wells Fargo.....   | 57,432                                                   | 1,148.64                           |
| United States..... | 30,492                                                   | 629.84                             |
| Total..            | \$972,378                                                | \$19,447.53                        |

Summarizing the actual and anticipated results of the present laws for taxing express companies we have the following:

1. Payments made under property tax (including such gross earnings as were returned as an item of property. .... \$15,082.32
2. Occupation taxes paid to municipalities..... 2,652.50

Total local taxes..... \$17,734.82

3. The amount which would have been paid under the 2 per cent state occupation tax had it been collected..... \$19,447.53

Total tax as now provided by law. . . . \$37,182.35

**Conclusions and Recommendations:** 1. THE LOCAL OCCUPATION TAXES.—While the right to grant power to the municipalities to impose occupation taxes on the express companies is firmly established and the practice quite general we believe the policy is a wrong one and should be abandoned. The express business is not one like the sale of liquor, plumbing and the like requiring regulation and therefore suitable for the imposition of a license tax. If one is imposed it must be for other than regulatory reasons. The business is in no sense a local one. By its very nature it would seem unsuited for local taxation. Every transaction involves parties in more or less widely separated parts of the state. The service giving rise to its income is not localized, nor is the property by means of which the service is performed.

The same economic grounds for denying the people of any state the right to regulate inter-state commerce exists for denying the right of any municipality to impose occupation taxes upon such a business as that of the express companies. In our opinion the municipalities should be confined to the taxation of the tangible property of such companies if indeed they are allowed to impose any tax.

2. THE GROSS EARNINGS RETURN ON THE SCHEDULE.—For much the same reasons we recommend the amendment of Section 6368, R. S. 1913 so as to relieve the express companies from returning their earnings to be taxed at the local property tax rate, thus leaving only the tangible property to be entered on the schedule. There is a further reason for this recommendation, namely that the present requirement is not one that can be effectively enforced. The confusion and uncertainty in which the decisions of the supreme court have left this part of the law requires that it should be swept away by repealing the provision requiring earnings to be treated as property.

3. THE STATE GROSS EARNINGS TAX.—The act of 1913 imposing a tax of 2 per cent on the gross earnings of these companies was a step in the right direction but it should be amended to meet certain deficiencies in it.

The inadequacy of the value of property as a basis for taxing the express business has long been recognized, and there has been an agreement among students of taxation that gross earnings constitute the most practicable basis for taxing it. The second clause of Section 1, Article IX of the constitution specifically names this interest among others as one which may be taxed in any way the legislature may direct in addition to the tax by valuation provided for in the first clause of that section. There need, therefore, be no resort to the "occupation tax" idea for authority to tax express companies on the basis of their earnings. As pointed out above such a tax both because of its economic character and because of the greater ease and certainty of administration under state authority, seems peculiarly fitted to be a source of state revenue.

The present law makes no provision apparently for taxing receipts from any other source than transportation. There seems no reason why the receipts from the sale of money orders

should not be included. This is done under the Minnesota law, the tax being paid in this case on all receipts from such orders regardless of the place of payment.

Another change should be made in the definition of gross earnings. At present they include only those from business originating and terminating within the state. The state is entitled to a tax on all business originating, terminating or passing through the state in the proportion that the haul within the state is part of the whole distance traversed. This right is fully established by the courts and is made use of in several of the states. We have no accurate information as to what addition would be made to the base for the tax in this state if this item were included, and can therefore make no accurate estimate of revenue to be expected from this change.

The present rate is not far from right assuming the local taxation of gross earnings as an item of property at the property tax rate. This rate would fall not far short of the equivalent of a 2 per cent tax. If the local gross earnings tax were repealed, as we recommend, the present state rate could be doubled without creating a greater burden than the law now imposes, and this we recommend.

To summarize: We recommend the amendment of the state gross earnings law so as to place a tax of 4 per cent upon the gross receipts of express companies, such receipts to include a share of the earnings from interstate business pro-rated on the mileage basis, and also the receipts from money orders sold regardless of their place of payment, these taxes to be in lieu of all other taxes except those on the real and personal property of the companies to be paid at its situs. To carry out this plan we recommend further the repeal of all laws giving the right to municipalities to levy occupation taxes on express companies. The results of such legislation will be to rid the present statute of ambiguities and inconsistencies, to simplify the method of taxing these interests, to turn what is peculiarly a state source of revenue into its proper channels, and to increase the revenue from this source.

#### **4. The Telegraph Companies**

These companies and the telephone companies are taxed under the same provisions of law as the express companies. The county assessors value the physical properties and presumably

the "franchise," and the law still requires the companies to return their gross earnings to be treated as "an item of property." The municipalities may impose occupation taxes. The telegraph companies apparently do not make as full a return of their earnings to the assessors as the express companies do. The assessed value, actual value for 1913 and the Railway Commission's reproduction value and "present value" of the physical properties for 1912 are shown in the table which follows:

|                         | Assessed<br>Valuation<br>1913 | "Actual<br>Value"<br>1913 | RAILWAY COMMISSION'S        |                        |
|-------------------------|-------------------------------|---------------------------|-----------------------------|------------------------|
|                         |                               |                           | Reproduction<br>Value, 1912 | Present<br>Value, 1912 |
| Express companies . . . | \$206,954                     | \$1,034,770               | \$206,806                   | \$150,007              |
| Telegraph companies . . | 229,757                       | 1,148,785                 | 1,600,449                   | 957,146                |
| Telephone companies . . | 1,919,162                     | 9,595,810                 | 18,833,423                  | 14,391,395             |
| Total . . . . .         | \$2,355,873                   | \$11,779,365              | \$20,640,678                | \$15,498,548           |

The figures indicate that no very large return of earnings is made for taxation and in fact that the assessors do not find the full value of the physical property to say nothing of the "franchise" value. The Commission's reproduction value of the Western Union's property for 1912 was \$1,337,604; the return of the company to the secretary of state for the assessment of the annual fee in 1914 was, "not to exceed \$1,500,000" as the value of its physical property employed in this state. These values are carried on the books as representing earnings power and give an indication of what the assessors ought to place on the tax rolls. It would be strange if anything like an accurate assessment were made. The same reasons exist for assessing the telegraph companies on the unit plan that make it necessary to assess railroads on that plan. The great majority of the states which levy ad valorem taxes on the telegraph companies provide for their valuation by some central authority. Moreover, the nature of the business is such as to mark the taxes arising from it as a proper source of state rather than local revenue.

**Methods Employed in Other States.**—The Special Tax Commission of Connecticut of 1913 has prepared a summary of the methods of taxing telegraph companies in the different states which we give below. Fuller details of these methods are given in Appendix A.

“Telegraph companies are taxed in very different ways by the various states, most of which combine one or more methods of taxation. The gross earnings tax, taxes upon the value of stocks and bonds, and ad valorem taxes are all in common use. The following is a brief summary of the principal methods used. A more detailed description of the method of each state will be found in Appendix II.

Fourteen states impose taxes upon the gross earnings of telegraph companies. In only one of these, California, is it the sole tax; there it is at the rate of  $3\frac{1}{2}$  per cent upon earnings within the state and a share of interstate earnings.

Four states have this as the principal tax, although used in connection with other methods of taxation. Maine taxes gross earnings  $1\frac{1}{4}$  to 6 per cent according to the amount of earnings. New Jersey also combines an ad valorem tax upon tangible property with a gross earnings tax, the latter being at the rate of 2 per cent. In Rhode Island, telegraph companies pay 2 per cent upon gross earnings and are taxed upon real estate under the general property tax. Texas has a gross earnings tax of  $2\frac{3}{4}$  per cent, license taxes, and local taxes upon property. New Jersey's tax is upon earnings within the state and a share of interstate earnings. The other states tax state earnings only.

Eight other states have the gross earnings tax together with ad valorem taxes upon all or part of the property of the companies.

Vermont allows a 3 per cent tax upon gross earnings (collected within the state) as an alternative to special license taxes upon wire mileage.

Besides the gross earnings tax, the principal methods of taxing telegraph companies is by means of ad valorem taxes on their property. Sixteen states tax all the property of the companies and impose no other taxes. Fourteen states use the ad valorem tax as the principal tax combined with other methods, and eleven other states make use of property taxes through using some other tax as the principal one.

In eight states the principal tax on telegraph companies is based on the valuation of stock and bonds or stock only, though in all cases combined with some other form of taxation.

Only two states base their system of taxing telegraph companies on an arbitrary basis as in the Connecticut system. Delaware has a tax on wire mileage at rates of 60 cents, 30 cents, and 20 cents, upon the longest wire, the second longest wire, and other wires, respectively. Vermont allows the companies to choose between a gross earnings tax of 3 per cent (on earnings collected within the state) and a license tax of 60 cents per mile for the first wire and 40 cents for each additional wire. A number of other states use special, privilege, and license taxes as supplementary to other taxes which are the main bases of their system.”

**Recommendations.**—In case the legislature is given the power to do so by the adoption of the amendment, we recommend a tax of 4 per cent upon the gross earnings of the telegraph companies including the earnings from intra-state business and a proportion based upon mileage of the receipts from business passing through, into or out of the state, and that this tax shall be in lieu of all other taxes except those on real estate owned, the proceeds to be turned into the general fund of the state treasury.

If the present constitutional provisions are retained, we recommend that the property of the telegraph companies be assessed by the proposed tax commission, and in case no commission is created by the State Board of Equalization and Assessment, that the property be taxed at the average rate for the state, and that the taxes be paid into the state treasury. We believe by this method of assessment the "franchise value" of the companies can be reached. If, however, the ad valorem taxes be found inadequate for this interest, the way lies open through the second clause of Section 1, Article IX, to impose a business tax based on earnings. All local taxes based on earnings, and all municipal occupation taxes should be abolished.

## **5. The Telephone Companies**

There are reasons, because of the essentially local character of the telephone business, why this interest may properly be left subject to local taxation. But the method of assessment should be changed. We recommend that in case the ad valorem system is retained that the assessment of this class of property be made along with all other public service property by the proposed tax commission. If all the companies were purely commercial ones there would be good reason for placing them on a gross earnings basis along with the telegraph companies. An effective assessment that will reach the "franchise" or "corporate excess" seems a fairly satisfactory method, however, of dealing with both commercial and mutual companies and we recommend the retention of the ad valorem method. All special local taxes should be abolished in the case of these companies as in the case of express and telegraph companies.

The methods of taxing telephone companies in other states have been thus summarized by the Connecticut Commission of 1913. Fuller details are printed in Appendix (A).

"Some light on the problem of taxation of telephone companies may be obtained from the experience of other states. The value of such comparison, however, is decidedly limited by the great diversity of methods employed and the almost complete lack of uniformity in the systems of the several states. In Appendix II of this Report will be found an abstract of the methods employed in the taxation of telephone companies by each of the states in the United States. In the present chapter we shall attempt to give only a very brief summary of the principal methods employed by other states.

Apart from the old-fashioned tax on the property of the telephone companies, which still prevails in many of the states, the most common method of taxation is the gross earnings tax. Eighteen states make use of the tax on gross receipts to a greater or less extent. In four states it is the only tax imposed upon the operative property of telephone companies. These states, with the rates imposed are as follows:

California,  $3\frac{1}{2}\%$ ; Maine,  $1\frac{1}{4}\%$  to  $6\%$ , according to the amount of the earnings (from business wholly within the state), Minnesota,  $3\%$ ; Wisconsin,  $2\frac{1}{2}\%$  to  $5\%$ , according to the amount of the earnings. Except in Maine, the tax is upon earnings from state business and a proportionate share of interstate earnings.

Four other states use the gross earnings tax (limited to business wholly within the state), as the principal tax, although accompanied by other forms of taxation. Rhode Island taxes gross earnings at the rate of  $2\%$ , in addition to local taxes on real estate. The District of Columbia imposes a gross earnings tax of  $4\%$ , together with a district ad valorem tax on realty. Maryland imposes a  $2\%$  gross earnings tax, a tax on capital stock and a tax on real estate. New Jersey taxes gross earnings, at  $2\%$ , but allows also local ad valorem taxes on tangible property.

Nine states accompany the gross earnings tax with an ad valorem tax on all or part of the property of the companies. Vermont allows telephone companies to choose either a gross earnings tax (on earnings collected within the state), at the rate of 3 per cent, or a tax of 40 cents on each transmitter and 30 cents on each mile of wire.

Only two other states use methods similar to that of Connecticut; i. e., select some arbitrary basis for the imposition of the tax. Delaware uses a combination of the tax on transmitters and the wire mileage tax. The second state is Vermont, as described above.

Besides these methods the three principal systems in force in other states are: (1) taxes based on the value of the stocks and bonds, (2) ad valorem taxes on the property of the companies, and (3) license taxes, privilege taxes and various other special taxes."

## II. THE BANKS

The banks are not taxed as such. The shares, however, are assessed to the owners, and the tax collected by the bank. This arrangement is made necessary by the restrictions placed by Congress on the taxation of national banks, which are regarded as creatures and agents of the federal government. A variety of methods may be followed in making the assessment and in the distribution of the tax. The Nebraska statute requires the county assessor to "determine and settle the true value" of the shares, and in doing so "shall take into consideration the market value of such stock, if any, and the surplus and undivided profits." The value of real estate and tangible personalty is deducted from the aggregate value of the shares, and the remainder divided by the number of shares to find the value of each.

The law seems to require amendment in two important respects: First, in regard to administration; and second, in regard to deductions of mortgages now permitted under the mortgage tax law.

1. The most common method of assessing bank stock is to list it at its "book value", i. e. the sum found by adding together the capital, the surplus and the undivided profits. This sum represents the amount put into the enterprise by the shareholders but not necessarily the "true value." The value of a thing is what it will exchange for in the ordinary course of trade. But bank stock does not change hands frequently and its value must be determined by its earning power. This cannot usually be done by the local assessor. He can of course determine the "book value"; but to find the true value which the constitution and the law requires to be assessed, he has neither the skill nor the information. This information is properly enough given to the proper state authority but perhaps should not be placed in the hands of the local assessor. The proper course seems clear: To place the assessment of this class of property in the hands of a central officer. We, therefore, recommend that the assessment of bank shares be placed in the hands of the proposed state tax commission. In case no commission is provided for by the legislature, we recommend that the assessment of these shares be made by the State Board of Equalization. The result of such an ar-

rangement will be an increase in the taxes from this source and a more uniform apportionment of them as between banks.

2. **Deduction of Mortgages.**—The mortgage tax law of 1911 was not intended to affect the method of taxing banks. The supreme court has held, however, that after arriving at the value of the shares, the mortgages owned by the banks, secured on Nebraska real estate, whether they contain the tax clause or not, may be deducted in the same way that the value of real estate is deducted. We have discussed the effect of this interpretation of the law in the section dealing with the mortgage tax law.

Our recommendation is, for the reasons set forth elsewhere (p. 89), that Section 6343 R. S. 1913 be so amended as to restrict the privilege of deductions, to real estate used for a banking-house and to furniture and fixtures.

### III. THE TAXATION OF INSURANCE COMPANIES

The taxation of insurance companies, owing to the great variety in the character of organization, kind of policies written, nature of assets, and the widely scattered ownership of the same, offers some peculiar difficulties that have nowhere been completely overcome and in Nebraska are very far from having been met. The most fundamental question in connection with these interests is whether they ought to be taxed at all. It is earnestly contended by many that on account of the beneficent social service they perform, insurance companies should be freed from taxes as churches and charitable institutions are, though for a somewhat different reason. Frugality and thrift, it is said, are the foundations of industrial development, and a tax upon the savings put into insurance is a tax upon those qualities and tends to check their exercise. This no doubt is true; but it is equally true of savings and accumulations in any form. It is not peculiarly virtuous, as is sometimes argued, for a man to make provision for the future in this particular way. Savings of all kinds that serve to provide against want and make an enlargement of industry possible are beneficent, and it does not appear that life insurance is so different in these respects as to warrant relieving such interests from taxation. As long as taxes are based upon possessions we see no good reason why investments in insurance should receive any special consideration.

The argument, however, that the assets of insurance com-

panies, consisting largely of securities, the mere evidences of wealth reached in a direct way by the taxing officer, is another matter, and is worthy of careful consideration. What has been said elsewhere (p. 46) concerning the double taxation involved in assessing wealth and also the obligations secured by it, or the evidences of ownership of it applies here. But if these forms of property are to be exempted it should be not because they are held by insurance companies, but because of their character. If such property is to be taxed at a lower rate than other kinds of property the low rate should of course apply to the securities of insurance companies as well as to those of individuals. While some European countries have pursued the policy of encouraging insurance by exempting such interest from taxation, the various states have all subjected them to some form of taxation. The method varies greatly in the different states, and even within the same state.

**The Present Method in Nebraska.**—Article VI of the revenue law (Chapter 69 R. S. 1913) provides that all insurance companies doing business in the state, except certain specified classes, shall pay a premium tax in some form. No specific provision is made in this article or elsewhere in the law for ad valorem taxes on such companies. But under the constitutional requirement that all persons and corporations shall be taxed in proportion to the value of their property, the courts have held that insurance companies of whatever kind are subject to the general property tax. The premium tax, in spite of the curious wording of the law, is a business tax authorized by the constitution (Art. IX, Sec. 1, Clause 2) in addition to the ad valorem tax imposed on all property except that specifically exempted. "Fraternal beneficiary associations and such mutual companies as operate on the assessment plan, have no capital stock and make no dividends, and whose scheme of insurance does not contemplate the return of any percentage of earnings or profits to policy holders," do not come under the provisions of this article. All others must pay some form of premium tax.

### **Foreign Life and Accident Companies**

Each foreign life and accident company is required to pay into the state treasury at the time of making its annual report to the insurance board a tax at the rate of 2 per cent upon the

"amount of gross premiums received by it during the preceding calendar year for business done in this state, including all insurance upon the lives of persons residing in the state, whether such insurance was written during such preceding year or prior thereto."

In addition to these taxes life companies are required to pay the following fees:

|                                  |            |
|----------------------------------|------------|
| For admission.....               | \$50.00    |
| For filing annual statement..... | 20.00      |
| For certificate of authority ..  | 2.00       |
| For each agent's license.....    | 2.00       |
| For copy of papers filed.....    | Indefinite |
| For examinations when needed...  | Indefinite |

These fees, however, and the gross premiums tax may be regarded merely as minimum charges; for under the so-called reciprocal or retaliation section of the insurance code both the tax and the fees may vary for any particular company according to the charges which would be imposed upon Nebraska companies doing business in the state which chartered the company in question. Thus Ohio has a  $2\frac{1}{2}$  per cent tax on foreign companies; and our rate for Ohio companies is therefore  $2\frac{1}{2}$  per cent. For the same reason an Indiana company would pay 3 per cent on its gross receipts in this state and if an Oklahoma company should apply for admission it would be required to pay a fee of \$200 instead of the \$50.00 provided in our law. All insurance companies paying the fees and making reports to the insurance department are exempt from the corporation occupation tax provided by Chapter 240 of the Laws of 1913.

**Foreign Accident, Liability and Surety Companies** are taxed at the same rate on their premium receipts as the life companies pay. The taxes paid into the state treasury for the years 1909-1913 have been as follows:

| Year | Legal Reserve Life | Accident, Liability,<br>Surety, Etc. | Total       |
|------|--------------------|--------------------------------------|-------------|
| 1909 | \$61,001.18        | \$7,659.30                           | \$58,660.48 |
| 1910 | 61,481.22          | 10,891.32                            | 72,372.54   |
| 1911 | 65,772.20          | 10,240.38                            | 76,012.58   |
| 1912 | 70,918.40          | 10,839.77                            | 81,758.17   |
| 1913 | 79,139.65          | 15,285.50                            | 94,425.15   |

**Foreign Fire Companies.**—These companies pay taxes on their tangible property at its situs. They are also taxed locally on their premium receipts though such receipts are treated as “an item of property.” The law of 1903 required a return of premium receipts to the local assessor by each agent and made him personally liable for the tax. It was apparently the purpose of the law to base this tax on “gross premiums,” permitting no deductions for reinsurance and premiums returned on canceled insurance. Since these deductions were authorized in the case of domestic companies, the supreme court has held they must also be allowed for foreign companies. The section, however, has remained on the statute book unchanged.

Under the reciprocal provisions of the insurance law foreign fire companies may be required to pay additional taxes into the state treasury. In 1912, \$12,460 were collected in this manner and in 1913 \$10,448.27. On the other hand, as the law is now administered receipts for sums paid by these companies for local taxes are accepted as credits against taxes imposed by the Insurance Board under the reciprocal section.

### **Domestic Insurance Companies**

All Nebraska life, fire, accident and surety companies, except fraternal and mutual assessment companies, are grouped together under the present law for purposes of taxation. They are all subject to a tax on any real estate or personal property. Under Section 6357 of the Revised Statutes of 1913 (Sec. 69, Ch. 69), they are also required to pay a tax into the local treasury based on premium receipts. Each company is taxed

“in the county, town, city, village and school district where the agent conducts business upon the gross amount of premiums received by it for all Nebraska business done within the state during the preceding calendar year less amount of same ceded to other companies as reinsurance through regularly authorized agents in this state and less premiums returned on canceled policies. Such gross receipts less reinsurance and cancellations shall be taken as an item of property of that value and be assessed and taxed on the same percentage as other property. The agent shall render the list and be personally liable for the tax.”

It will be convenient to deal with each of these companies separately.

**The Fire Companies.**—In addition to the tax provided for in Article 6, Chapter 69, as described above, every fire insurance company doing business in the state except Farmers' Mutuals is required to pay into the state treasury annually a tax of three-eighths of one per cent on the gross premium fire receipts, after deducting cancellations and reinsurances on Nebraska business for the maintenance of the department of State Fire Commissioner. (Sec. 2510 R. S. 1913). During the biennium ending November 30, 1914, this tax yielded \$25,295. A further tax, not to exceed \$5.00 per year may be imposed in municipalities having less than 25,000 population, for the use of volunteer fire departments organized under the state law. These special taxes are for specific purposes in which the companies themselves have direct interest and partake more of the character of an annual assessment than a tax. Since they operate uniformly upon all companies they require no particular comment from this Commission.

The sections providing for the tax on premium receipts have some objectionable features. We recommend that the sections be amended so as to conform to the findings of the courts with respect to the equal treatment of home and foreign companies in the matter of deductions. As a matter of practice the return of premium receipts is not made by each agent but by the home company. Frequently no return is made at all, and when made it is often nominal. It would contribute to simplicity of administration and ensure greater certainty and equality of treatment if these sections were administered through the Insurance Board and the proceeds turned into the state treasury as in the case of foreign life companies. In 1913 the net premiums of stock fire companies amounted to \$4,409,963. A 2 per cent tax would yield \$88,199.26. But we have no means of computing accurately the financial results of the change since we do not know the amount of taxes paid by these companies. Assuming a full return whether administered locally or centrally, a tax of 2 per cent would be the equivalent of a one hundred mill levy on a one-fifth valuation. The municipalities where the bulk of the premium income arises have levies that approximate and in some cases exceed 100 mills. It is probable that the average property tax rate is somewhat below 2 per cent on the true value and that assuming a full return there would be a slight loss of revenue. But it is quite certain that a fuller return would be secured through the Insurance Board than is now made, resulting in a

considerable addition to the public revenue. This, however, would not be the greatest gain arising from the change. Equality of treatment would be more nearly attained and this is of more importance than an increase of revenue.

**The Domestic Life Companies.**—There are ten of this class of companies. They are taxed upon a somewhat different basis from foreign companies doing business in the state. The latter pay a tax of 2 per cent on the premium receipts from policies held by residents of the state, "whether such insurance was written during such preceding year or prior thereto." The absence of the clause just quoted from the section dealing with domestic companies has given rise to a construction of the law by these companies that "gross amount of premiums received\* \* \* for all Nebraska business done within the state during the preceding calendar year," means only the premiums received on new policies written during the year. This construction is highly favorable to the domestic companies. Again the domestic companies are permitted to make deductions for reinsurance and premiums returned on lapsed policies while foreign companies are not. Furthermore, the domestic companies usually do not return all the premiums collected even under the narrow construction they thus give to the law. It was without doubt anticipated that policy holders in each county would pay their premiums to a local agent who would turn them in as an item of property for assessment. But it is not the practice of the home companies to maintain agencies out in the state and collections are for the most part made through the local bank, or by check or money order payable at the home office. Under such circumstances it has been quite natural for the companies to assume that it was the business of the assessor in each county to assess premium receipts arising there although it is well known there is no possibility of their doing so. On the other hand, if the assessor of the county where the home office is located should demand a return of premiums for the whole state the companies may fairly contend that authority had not been given him to correct the shortcomings of his fellow assessors. For the most part they return only the premiums on policies held within the one county where the company is domiciled. This is not always the case. In the same county it was found that in 1913 of two companies having approximately the same premium income

from Nebraska business, one was assessed on a return of \$10,841 and the other on a return of \$131,105, the latter being the premium receipts for the whole state. Such a glaring inequality ought to be impossible under the revenue law.

The present law does not meet the requirements of equality. The domestic companies are unduly favored as Section 69 is now administered. Instead of paying upon their gross premium receipts as foreign companies do, they pay upon premiums from (1) new business, (2) within the county containing the home office, (3) after making deductions not allowed the foreign companies. The remedy is clear. If the premium receipts tax is to be retained we recommend that it be administered by the Insurance Board and that the rate be fixed at 2 per cent, the same as that paid by foreign companies.

**Accident and Surety Companies.**—The same defects show themselves in the taxation of domestic accident and surety companies as are shown in taxing the life companies. For the reasons set forth above, we recommend that the assessment of these companies be placed in the hands of the Insurance Board and that they be taxed at the same rate as foreign companies of the same class.

**Effect of Central Administration.**—Our recommendation is that all insurance companies subject to a premium tax be required to pay this tax into the state treasury at the same rate that foreign companies pay. What the exact financial results of substituting centralized control for the present method would be cannot be determined from available data. But it is safe to say that the premium taxes on those companies now paying locally would be more than doubled by the change. The greatest gain from the change, however, from a haphazard system of self-assessment to one of certainty would consist in the more equitable treatment of competing companies.

**The Insurance Companies and the Property Tax.**—We have thus far discussed only the tax on premiums of insurance companies. But the supreme court has held that this is not in lieu of the property tax, and under the present constitution cannot be made so. The court in speaking of the 2 per cent tax on premiums has said: "This is a business tax imposed under the second clause of Sec. 1, Art. 9 of the Constitution, and such

companies are also liable for taxation upon all their property within the state the same as other corporations or individuals." Speaking of the premium receipts tax on domestic companies the court says: "This tax also is a business tax and each of such domestic companies is also liable to be taxed upon its tangible property." *Royal Highlanders v. State*, Judge Letton concurring opinion, 77 Neb. 18, 29. And in a later case speaking particularly of the life companies the court says: "It is intolerable, however, to contemplate a situation by which the large amount of capital profitably invested in the insurance business by domestic companies may wholly escape taxation and remain exempt from contributing its just share to the maintenance of the protection afforded by the state." *Bankers Life etc. v. County Board*, 89 Neb. 469, 474, (1911).

No adequate provision of law has been made for reaching this property. Here is confessedly one of the most intricate problems with which tax officers have to deal; and yet the law is silent when it should be most explicit, and has left the administration of the law in the weakest hands when it should be placed in the strongest. The legislature has in this matter, as in some others, abdicated to the county assessor. It is no wonder the supreme court in the case last cited, after calling attention to the constitutional mandate upon the legislature to provide "a just and equitable method of taxing our domestic insurance companies," concludes that "it would seem that it has failed to perform its full duty in that matter."

In 1909 the assessor of Lancaster county gave his own interpretation to the law. A capital stock life company, with a capital of \$100,000, had returned its office furniture and fixtures and the premiums on new business in the county amounting to \$3,175 as the basis for its tax. The assessor added to the schedule the capital stock of the company its "surplus, contingent reserves and other forms of property," all of which he valued at \$611,000. The supreme court, after making use of the language above quoted, reaches the following conclusion:

"Therefore, in view of the requirement of the constitution, we are inclined to the opinion that the other and more general provisions of the revenue law are broad enough to require such companies to pay a tax upon their capital stock; but the tax must be based upon the actual value of such stock, which, in the

present condition of the revenue law, may be ascertained by Sections 10955, 10967, Ann. St. 1909, which define methods for ascertaining the value of the capital stock of certain corporations. \* \* \* \* In express terms Section 10955, supra, (dealing with the assessment of banks) provided that after ascertaining the value of the capital stock of the corporation in the manner therein described, there shall be deducted therefrom the value of its real estate and tangible property otherwise assessed, and the remainder is to be taken and considered as the taxable value of its capital stock. It is a fundamental truth, which needs no demonstration, that when the value of the capital stock of a corporation has been correctly ascertained such value embraces not only its surplus, but all of its property and assets of every kind and nature. It therefore appears from the record that the action of the assessor and the order of the county board of equalization were unjust and inequitable, and were made and pronounced without legal authority, for such action clearly falls within the ban of double taxation, which the law does not tolerate or permit." *Bankers Life Ins. Co. v. County Board*, 89 Neb. 469, 475.

At the same time this case was decided opinions were handed down in two fire insurance company cases involving the same question of law. From the cautious wording of the opinion and the syllabus,<sup>1</sup> it seems that the court is not fully committed to the taxation of these companies by a method analogous to that employed for taxing banks. But if this should become the accepted method, it leaves some important questions unsettled. It does not seem applicable, for example, to mutual companies which have no capital stock. The owners of the company are the policy-holders. If insurance companies are to be put on the same footing as banks, how are the reserves to be treated? The capital stock of banks is but a fraction of the funds used in the banking business. The capital stock is assessed to the shareholders and the deposits to the depositors. Likewise the capital stock of the insurance companies is unimportant compared with the investments which they control. Thus the aggregate capital of the

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<sup>1</sup> "It is probable that under the general provisions of the revenue law of 1903 (Laws 1903, Ch. 73) domestic insurance companies may be required to list their capital stock for taxation, but if the capital stock is taxed, its value must be ascertained in the manner provided by Section 10955, Ann. St. 1909, and when such value is ascertained there must be deducted therefrom the value of the real estate and other tangible property otherwise taxed, and the remainder will furnish the amount upon which the corporation may be levied."

domestic life stock companies is \$652,322; their aggregate assets amount to \$14,171,756. These assets are property belonging to some one—whether the companies or the policy holders is immaterial. Under the present constitution it is assessable to some one.

**Conclusions and Recommendations.**—1. As stated above the property invested in insurance is taxable under the general property tax, except as it may be in the form of Nebraska mortgages and thus indirectly exempt under the mortgage tax law. It seems that until the constitution is changed the legislature is charged with the duty of providing a way of reaching this property. The most direct way to do so would be to impose the tax upon the companies with the knowledge of course, that it would be borne by policy holders. It is probable that under the United States Supreme Court decisions all the assets in the form of securities lodged within the State are taxable here; but it should be borne in mind that these securities are held in trust for the policy holders, many of whom reside outside the State; and it is doubtful whether the State should tax the reserves except in the proportion represented by resident policy holders. If the property-tax method is followed we see no reason why those fraternal organizations which accumulate considerable amounts of securities, whatever the name they are held under, should not be taxed exactly as other companies and indeed other owners of such are. But if an effective way of taxing insurance interests on the basis of their property be found the tax on premium receipts should of course be repealed.

2. In case the wide-open tax amendment is adopted, the legislature is left free to take any one of the following courses:

(1) It may continue the plan of taxing the property of insurance interests and repeal the premium receipts tax as outlined above. Or this plan may be modified by the adoption of a flat rate on intangibles recommended elsewhere in this report. As most of the reserves are invested in securities the effect would be to place the great mass of insurance property in a class paying a low rate. In case the legislature should deem it wise to exempt securities altogether, accumulations of insurance funds would escape taxation by that path. Whatever provisions are made for the taxation of securities generally should apply to those held by

insurance companies, unless some other basis for taxing the insurance interests is substituted for property.

(2) Such a substitute might be found by basing the tax on the gross income. This is the way Wisconsin taxes its domestic companies. The tax is called "an annual license fee" for transacting the insurance business. A domestic company pays

"three per centum of its gross income from all sources for the year \* \* \* \* \* excepting those from rents of real estate upon which said company, corporation or association has paid the taxes assessed thereon, and excepting also premiums collected outside of the state of Wisconsin, on policies held by non-residents of the state of Wisconsin. In ascertaining the income upon which such license fee shall be computed as aforesaid, no deduction shall be made from premiums, whether paid in cash or premium notes, on account of dividends allowed or paid to the insured."

The personal property of Wisconsin insurance companies is exempt. This method of taxation has the merit of simplicity, certainty and ease of administration and is much to be preferred to any scheme of property tax. The taxes imposed under it in Wisconsin are complained of as unduly burdensome. If applied here it would certainly greatly increase the taxes of Nebraska companies. Thus one company which in 1913 paid less than \$12,000 on premiums, only a small part of which was paid in Nebraska, would have paid under the Wisconsin law more than \$30,000. We believe that such a tax would constitute an undue burden upon this interest.

(3) A third plan which would be open to the legislature in case the amendment were adopted would be to impose a premium tax in lieu of all other taxes except those on real estate owned by the companies. In our opinion this, under all the circumstances in the case, furnishes the most satisfactory method of dealing with the domestic insurance companies. By placing the administration of the law in the Insurance Board this plan would bring about substantial equality as between domestic and foreign companies; it would bring an increase of public revenue, and this revenue would properly be turned to state rather than local uses. Without taking into account the fraternal and other mutual assessment companies, the following table based on the business in Nebraska for 1913 shows what the state revenue from this source would be. Not having the amount of taxes paid locally,

we cannot show the net results of the proposed plan; but it would certainly provide an increase of revenue:

|                                                      | Premiums    | Tax at 2% |
|------------------------------------------------------|-------------|-----------|
| Domestic Life Companies. . . . .                     | \$1,937,131 | \$38,742  |
| Stock Fire Companies, Foreign and Domestic. . . . .  | 4,409,963   | 88,199    |
| Domestic Accident, Surety and Miscellaneous. . . . . | 408,610     | 8,172     |
| Total. . . . .                                       | \$6,755,704 | \$135,113 |

**To Summarize.**—It is recommended that the law for the taxation of foreign life accident and surety companies be left as it now stands except that the wording be changed to conform to the decisions of the court and the practice; that foreign fire companies, and all domestic companies now subject to taxation be subjected to a tax of two per cent upon their premium receipts in lieu of all taxes upon their property except real estate to be assessed locally, and, in the case of fire companies excepting the license tax of \$5.00 permitted under section 2525 R. S. 1913; that for determining taxable premium receipts the law be so written as to show definitely what deductions from gross premiums may be made, and that all premium taxes shall be assessed by the Insurance Board and paid into the general fund of the state treasury.

#### IV. THE TAXATION OF MERCANTILE, MANUFACTURING AND MISCELLANEOUS CORPORATIONS

##### 1. The Present method

**All Property Taxable.**—The constitution requires that “every person and corporation shall pay a tax in proportion to the value of his, her, or its property and franchises.” The real and personal property of corporations is listed in the same way that the property of individuals is listed, and as far as can be determined the assessment is as full as that of property belonging to individuals.

**Franchise Value to be Assessed.**—In addition to the property schedule the law provides the corporations whether domestic or foreign, shall furnish the assessor with information not required of other taxpayers. The statement of each corporation must contain a declaration of “the true value of its franchise.”

Public utility corporations are further required to give details as to capital stock, value of shares, dividends paid, gross and net earnings, intended no doubt to aid the assessor in arriving at the "franchise value" of the company. Domestic corporations, other than public utility companies, are supposed to fill out a similar schedule; while foreign corporations other than public utility companies are required to furnish in addition to the description of its real and personal property in the county and the "true value of its franchise," only the amount of its gross earnings from business in the state and the expense of transacting such business. The law does not specify how this information shall be used by the assessor; but it is no doubt intended to aid him in some way in carrying out that part of the law which provides that he shall "assess to the corporation the value of its franchise in addition to the assessed valuation of its tangible property."

As far as can be ascertained, however, little or no use is made by assessors of the information supplied in these returns, except perhaps in the case of public utility companies. As a matter of practice, therefore, in the assessment of mercantile, manufacturing and miscellaneous corporations, only the tangible property is reached, the "franchise," or "intangible," value escaping altogether.

**Provisions as to Shares.**—One other feature of corporation taxes in the state should be mentioned in this connection. Section 29 of the revenue laws which deals with the place of listing personal property provides that: "The capital stock and franchise of corporations and persons, except as otherwise provided, shall be listed, \* \* \* \* \* where the principal office or place of business of such corporation or person is located within this state." Section 28 provides that persons shall list among other things all their "shares of stock of joint stock companies when the capital stock of such company is not assessed in this state." In *Bressler v. Wayne County*, 84 Neb. 774 (1909) it was held that where the capital stock was not assessed to the corporation it was properly assessed to the shareholder.

As far as can be determined, however, the stock of domestic companies is not assessed to the holder and it is rarely the case that it is "listed and taxed" at the principal place of business. It seems that where a return of capital stock is made to the assessor

the information is used only as a means of checking up the tangible property of the corporation.

**The State Occupation Fee.**—Besides the property taxes above described corporations have since 1909 been required to pay an annual "occupation fee," proportioned to their capital stock. This "fee" is paid by both foreign and domestic companies. The rates under the original act were moderate, ranging from \$5.00 for corporations having a capital of \$10,000 or less, to \$200 for those having a capital in excess of \$2,000,000. Under these rates the following sums have been collected and turned into the state treasury:

| Year Ending Nov. 30 | Occupation Fees | Penalties | Total       |
|---------------------|-----------------|-----------|-------------|
| 1909.. . . . .      | \$39,235.85     | \$2,010   | \$41,245.85 |
| 1910.....           | 82,776.30       | 6,480     | 89,256.30   |
| 1911.....           | 62,890.35       | 3,250     | 76,140.35   |
| 1912.....           | 58,140.95       | 1,950     | 60,090.95   |
| 1913... ..          | 58,410.40       | 1,330     | 59,740.40   |

The legislature of 1913 increased the rates, now called the "annual fee," so that the payment now ranges from \$5.00 to \$2,500, the latter amount being payable by corporations employing in the state a capital in excess of \$25,000,000. Under these rates there will be a substantial increase in the yield of the tax. The collection in the first year amounted to about \$90,000. The fee here described is not to be confused with those fees required of all corporations for filing or amending articles of incorporation.

It will thus be seen that corporations are taxed in Nebraska mainly on the principle of the general property tax, i. e. according to the value of their property. The capital stock tax, under the name of an "occupation fee," is a departure from the ad valorem basis, and in taxing a few other interests to be noted later some other basis than the value of property is taken. But with these few exceptions the taxation of corporations is "by valuation." Unless the pending amendment to the constitution is adopted the chief problem in connection with the taxation of corporations must remain, as it now is, merely one of valuation, and more particularly of assessing in some adequate way the "intangible values" not represented by tangible property. This leads us to a brief consideration of methods employed in taxing the "franchise" so-called.

## 2. Methods of Taxing the "Franchise"

**Nature of the Problem; Its Difficulty.**—The meaning of the term "franchise" as an object of taxation is indefinite. When used of a public service corporation in its narrow sense it is understood to mean the value of the rights granted by the government—as e. g. the right to occupy the streets for traffic purposes, the right to plant poles and string wires, make conduits, or lay gas pipes. A right granted to an individual to do any of these things would of course be as much a franchise in his possession as though owned by a corporation. But the term has a wider application than this for purposes of taxation. It includes all those elements in the total value of a concern which represent the earning power of the business, not covered by the tangible property employed. In general usage, it means the difference between the total value of the concern and the value of its tangible assets. As defined by the state supreme court the words "franchise value" used in a broad sense "really mean the value of the intangible property \* \* \*. This intangible property possesses value and is capable of valuation for purposes of taxation. *Western Union Telegraph Co. v. City of Omaha*, 73, Neb. 527, 539.

An attempt is made under the present law to reach this intangible value, though usually in practice without much success. For example the shares of bank stock are taxable at their market value which is usually in excess of the book value representing the funds put into the business by the share holders. A better example is found in the taxation of express, telegraph and telephone companies. The value of the tangible property in these, as in many other cases, is a poor index of tax-paying ability. The legislature of 1903, apparently seeking to maintain the appearance of taxing these interests "by valuation," but not content with the tangible property as an adequate basis, provided as shown elsewhere that to the value of real and personal property should be added the gross receipts for the past year, such gross receipts to be considered as an item of property, and to "represent the franchise valuation which shall not be otherwise assessed." This crude method of valuing the franchise has been declared void by the courts. In the taxation of other public service corporations the means are provided, through the returns

required, for reaching the intangible value, though no definite rule is laid down for doing so. This seems to be quite effectively done in the case of the railroads. The State Board of Equalization and Assessment finds this element in the railroad values of the state to exceed \$100,000,000.

2. **Taxing the "Corporate Excess."**—Systematic methods have been developed in some of the states for assessing franchise value. (a) In Illinois the duty of determining the intangible value of corporations rests with the State Board of Equalization. The intangible value, called the "corporate excess," is reported back to the local authorities where the tangible property is found and taxed at the same rate as other property for local purposes. The law seems never to have been very effectively administered probably in large part due to the constitution of the Board of Equalization. The method of taxing the Corporate Excess, followed in a general way in Illinois, was first adopted in Massachusetts and has there attained its fullest development.

(b) Massachusetts has had a well defined method of reaching the intangible value of corporations since 1864. In recent years the method has undergone important changes but the essentials of the original plan are still retained. The tangible property is assessed at its situs by the local assessor for purposes of local taxation. The valuation is also reported to the State Tax Commissioner. The corporation makes a report to the Commissioner, giving such information as to capital stock, earnings, expenses, dividends, etc. as will enable one skilled in corporation accounts to determine the market value of the capital stock. From this total value is deducted the sum of the local assessments, as also the value of tangible property located outside the state. The remainder constitutes the "corporate excess" which is taxed at the average tax-rate for the state. Property which the assessor is usually not able to value with substantial accuracy, like stocks of goods, is not assessed locally under the present law but its value appears in the "corporate excess" as found by the Commissioner. Shares in the hands of the owner are of course not taxable, but bonds of corporations are, when found, assessed to the owner.

The distribution of the tax on the "corporate excess" has undergone some changes during the last few years. The tax is

paid into the state treasury. That portion of the tax represented by non-resident ownership is retained for state purposes. Formerly the remainder of the tax was turned over to the towns on the basis of residence of the stockholder; and this is still the method of distributing the tax arising from public service corporations; but that arising from "business corporations," like those engaged in mercantile and manufacturing businesses, is turned over to the town or towns where the property of the corporation is located.

The following table shows the source, amount and distribution of the tax for 1912:

|                                   | Accruing to<br>Commonwealth | Distributed to<br>Cities and Towns |
|-----------------------------------|-----------------------------|------------------------------------|
| Street railways.....              | \$14,892                    | \$1,181,054                        |
| Other public service corporations | 1,670,729                   | 2,690,640                          |
| Business corporations.....        | 632,778                     | 2,903,603                          |
| Trust property..                  | 9,227                       | 34,555                             |
| Total.....                        | \$2,327,627                 | \$6,809,853                        |

(c) In 1911 Rhode Island enacted a law designed to reach this intangible value in corporations. It differs from the Massachusetts law in several important respects. (1) It does not apply to public service corporations, these being taxed on the basis of their gross earnings. (2) Not only the capital stock is considered in arriving at the value of a corporation but to this is added the bonded indebtedness and all other indebtedness which represents investment or "is a cover for a division of profits." Neither the bonds nor the shares are taxable to the holder. (3) From the total value thus found are deducted the assessed value of real estate and tangible personal property, and the value of such property as is by law exempt from taxation. The remainder constitutes the "corporate excess," for the taxation of the corporation. (4) The rate on this intangible value is the same as that on intangible personalty—such as money and credits—in the hands of individuals, i. e. four mills on the dollar of valuation.

In both Massachusetts and Rhode Island the law for taxing "corporate excess" has proven successful. Difficulties of course arise in determining the value of shares not listed on the exchanges but these, it is claimed, are successfully met by the well organized

corps of officials charged with the administration of the law. It is agreed on all hands that this method however well worked out on paper would fail as our own present method does, but for the highly efficient central administration of the tax.

## **2. More Effective Method of Reaching the Intangible Value of Corporations Needed in Nebraska.**

**Why Intangible Values Should be Assessed.**—It should be noted that the plans followed by Massachusetts and Rhode Island do not involve any new principle in taxation. They are simply effective methods of taxing according to value. Their novelty is that they furnish a means of making a full and accurate assessment of the property of corporations and of taxing it once and only once. If such a plan were adopted in Nebraska it would be an effective method of doing what the constitution and the law now require to be done, but for doing which no adequate rules or machinery are provided. It would, if efficiently administered, reach a great mass of property not now taxed, and would bring about a fairer adjustment of the tax burden. As Mr. Justice Brewer has well said:

“In the complex civilization of today a large portion of the wealth of a community consists in intangible property. \* \* \* \* \*

\* \* \* To ignore this intangible property or to hold that it is not subject to taxation at its accepted value is to eliminate from the reach of the taxing power a large portion of the wealth of the country. To say that there is no such intangible property, that it is something of no value, is to insult the common intelligence of every man. It is a cardinal rule which should never be forgotten that whatever property is worth for the purposes of income and sale it is also worth for purposes of taxation. Accumulated wealth will laugh at the crudity of taxing laws which reach only the one (tangible) and ignore the other (intangible) while they who own tangible property not organized into a single producing plant will feel the injustice of a system which so misplaces the burden of taxation.” *Adams Express Co. v. Ohio*, 166 U. S. 185, 218.

This argument was made in connection with a business in which the intangible value is unusually large but it applies to all businesses whether the intangible value is large or small. The reasoning has been accepted by the supreme court of this state in numerous cases; the law as interpreted is clear and the demands of justice no less so, that the non-physical as well as physical property must be included in the assessment.

**The Question of Discrimination.**—It may be argued, however, that corporate property should be taxed on the same basis as that of individuals and copartnerships, and that it would be a discrimination against the corporate form of business organization to adopt a method of accurate assessment for corporations that may not be applied to natural persons and firms. This argument was put to a member of the Rhode Island Commission, who speaking for himself and not the commission said:

“Your apparent objection to the taxation of the intangible value of corporations by a positive method while the method of taxing is so ineffective that much of their intangible value escapes, does not seem to me to be very serious. If nothing is to be taxed until everything else is equitably assessed, I am afraid there will be a shortage of considerable proportions in both state and local revenues, and the principle of taxation at the source must be abandoned.”

It is not the purpose of such a plan of assessment as that under consideration to discriminate between classes of property holders. If any discrimination should arise it would be incidental in the process of administration. As a matter of fact, the legislature, clothed with power to determine the method of valuation, has already provided for different methods for different classes of property. The most striking example of departure from the usual method of assessment is found in the case of the railroads. They are assessed, as they should be, by a central authority supplied with ample data for effectively reaching the intangible value; thus making possible equality of treatment for the various roads. No one thinks of lessening the efficiency of the machinery for assessing railroad property simply because all property cannot be assessed by the same method or with equal accuracy. Again the law requires bank stock to be assessed at its market value. Where this is done accurately it results in a higher proportionate valuation than is given to other property, for it reaches what may be called the intangible value of the business in excess of the funds put into the enterprise represented by the paid up capital, surplus, and undivided profits. Moreover the method of collecting at the source leaves no chance for the stockholder in this class of corporation to avoid the tax. The legislature has not, however, provided the machinery for effective administra-

tion; for the local assessor, not able to determine the true value, generally accepts book value as the basis of assessment.

These facts are adduced not to justify "discrimination" but to show that it exists under the present law as an incident to the different methods of valuation provided by the legislature. We may go farther and hold that as a matter of fact "discrimination" of flagrant form is inseparable from the ad valorem method of taxation unless it is administered in such a way as to reach intangible as well as tangible property. Suppose we take two factories with exactly the same equipment but one prosperous making the business pay say 20 per cent on the investment, the other barely maintaining itself on 3 or 4 per cent earnings. Only those blinded by the narrowest conception of the ad valorem system would argue that the two concerns should contribute the same for the support of government. To require it violates the most fundamental of the principles of taxation—that of equality. It has been argued before the commission that business ability, successful management, industry, integrity, good-will, ought not to be taxed. But if we were as familiar with the method of taxing according to income as we are with taxation by valuation, the flimsiness of such a contention would be apparent. If justice requires that income arising from skill or other personal qualities be taxed, it equally requires that the intangible value found in a going concern, whatever be its source, since it represents earning power, should be included in the valuation of the concern.

The argument that the assessment of intangible value to corporations would constitute a discrimination against the corporate form of organization, ignores, therefore, the important fact that the assessment of tangible property only involves in itself a flagrant discrimination in favor of the more prosperous corporations as against the less prosperous; it involves discrimination in fact against all forms of property, like that used for residence purposes, to which no intangible value attaches. The aim should of course be to reach the full value of the property of individuals and corporations alike. But because this cannot be done in all cases is no reason for doing it in no case. No state can afford deliberately to adopt the policy of making all parts of its taxing machinery as inefficient as it is at the weakest point. The contrary policy should be followed of making the assessment accurate wherever it can be made so. If an effective method

of assessing corporations were adopted, it ought, under proper control, to bring about a fuller assessment of other property. This was the result in Wisconsin where the tax commission was given power to assess railway property.

**Administrative Requirements.**—This leads to another important aspect of the subject, that of administration. Unless the state is ready to provide for a strong central administration of the whole tax system and especially for the assessment of corporations, there is no use considering any plan for reaching the intangible value of corporations. Local assessors are powerless to administer such a plan. Where it has succeeded the success has been due to skillful administration by a strong central authority.

The question may be raised whether the fact that Nebraska corporations, though numerous, are small, stands in the way of adopting an effective method of reaching their intangible property. This question was put to officers charged with the administration of the Corporate Excess law in other states. Their judgment is that the law operates as effectively and fairly where small corporations are concerned as where large ones are concerned.

**Is the State Occupation Tax a Bar?**—Does the fact that we now have in the Potts law a capital stock tax in form of an "occupation fee," stand in the way of adopting the Rhode Island method here? In our opinion it does not. The only merit of that tax is that it is simple and easily administered. It rests on no sound principle of taxation. It is a convenient way of securing a slight increase of revenue, pin money we might say, but an attempt to raise any considerable sum by it would probably lead to its breakdown. The same tax is levied upon corporations having equal issues of stock regardless of its value, and regardless of the amount of bonds outstanding. While the tax is simple in itself, it introduces complexity into the scheme of taxing corporations. If desired it might be retained, as long as the rates are kept low though we see no reason for doing so. It is a business tax, not a property tax; and in no wise takes the place of the tax on any part of a corporation's property.

**Conclusions and Recommendations.**—Our conclusion is that a more effective method of assessing corporations should be provided for in Nebraska. We have made recommendations

elsewhere that all public service corporations be assessed by a central board. We believe that mercantile manufacturing and miscellaneous corporations should be assessed by the same authority. Inasmuch as the values designed to be reached by this change are intangible in character there seems good reason for treating them, as is done in Rhode Island, in the same way that intangible property is treated. Thus if a flat rate is provided for intangible property, it should also be applied to the corporate excess. If the present constitutional provisions remain, the legislature will be required to provide a means of valuing the "franchise," and no other way is left open but to tax it at the general property tax rate. There is nothing in the economic character of the tax to mark it as a state tax though in some states it is turned to state purposes. Unless it is deemed desirable to adopt a plan of separation of sources, in which case the corporate excess tax will be needed to supply the state's needs, the values found should be certified back to the local governments as a basis for local taxes.

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## CHAPTER VII

## THE SEPARATION OF SOURCES OF REVENUE

In search for a way of escape from some of the evils the general property tax, a number of students of public finance have advocated the plan of separating the sources of revenue for state and for local purposes. The plan has been frequently commended to this Commission though not always upon full consideration of the problems involved. It has been urged that as between the state and federal governments this principle is observed and it ought to be carried further by giving the state its own special sources of income and reserving others to the counties and minor civil divisions. In some states this end has been attained without any conscious effort at segregation, but as an incident to providing more effective administration. In others it has been consciously aimed at as the most direct means of securing an equitable apportionment of the tax burden.

Separation of sources is advocated for six chief reasons:

(1) That there is a natural distribution of functions between the state and local governments and the tax system should be made to conform to this distribution; (2) that it is the only effective remedy for the evils of under-valuation; (3) that the imposition of state levies upon the same valuations as are used for the local levies creates too heavy a burden upon that base; (4) that property values may be localized in such a way as to give an undue advantage to those communities possessing them; (5) that it is a necessary step toward giving local autonomy in tax matters; and (6) that it will make it possible to place each tax in the hands of that branch of government which can best administer it. We shall consider each of these in turn.

**1. Apportionment According to Function.**—The principle of apportioning revenues to the several governments in accordance with the functions they perform is best set forth in the report of the California Commission on Revenue and Taxation for 1906. The argument may be summarized as follows:

The activities of the local governments, such as the protection of life and property by the police, the fire departments, the local

courts, the construction and maintenance of roads, streets, bridges and the like, the provision for schools, the care of poor and the like redound distinctly, directly and peculiarly to the benefit of local property owners and local industries and enhance and sustain the value of real estate and of other tangible property in the localities. This has always been the ground for making local government expenses a local charge. Separation makes no change in this respect, but it does propose to relieve local property from state taxes and from the expenses of general activities, the benefits of which are not directly traceable to the activities of the local government. It seems peculiarly fitting that local industries like agriculture should bear the expense of their own protection, and support the local charges. There is probably no better way of apportioning the taxes among a group of farmers for the support of local government than by the taxation of real estate. The property tax originated as a neighborhood tax, and works best when used as such. In cities, generally, it is the growth of the community that gives value to real estate. It seems proper that such property should bear the greater part of the expenses of the city which creates its value.

On the other hand the activities of the state are broad and general. Its duties are mainly legislative. It provides the laws under which business is conducted, corporations chartered, institutions in no wise local are maintained. In general it cares for all those interests too broad or too large for the local governments to handle. These general activities suggest as the proper sources of revenue to support them, the public service corporations such as railroads, the telegraph, telephone and express companies, and the banks, whose business is in no sense confined to one locality. These industrial corporations are the creatures of the state, and it is by the state they are regulated and controlled. They serve the people of the state as a whole, and do not benefit, except as to their local franchises, in the same peculiar and direct manner as does private individual real estate, by the activities of the local government.

While the theory here presented has much to support it, in a general way, it may well be doubted whether there is so distinct a division between the functions of state and local government as to make an exact basis for separating the revenues as is here assumed. The state of California was not able to apply it with any exactness. Thus while it may be true that some banks serve wide districts, possibly the whole state, many others perform a purely local service, yet the bank taxes are by the California law turned into the state treasury. It would seem that the street car companies ought according to the theory to be

subject to local taxation, yet their taxes also were turned into the state treasury, because, as has been explained, it was only fair that the cities should give up this source of revenue as an offset to the surrender of the railroad taxes by the rural districts.

**2. Separation to Avoid Under-valuation.**—The argument most frequently urged for segregation is the practical one that a fair assessment cannot be had under the present system of apportioning state taxes to the counties in proportion to valuation. Here is confessedly one of the most obvious, persistent, and universal defects in the tax system. All efforts to remedy the evils of under-valuation through equalizing boards have been unavailing; it is now proposed to remove the motive for under-valuation by giving the state an independent source of income and this as is supposed makes the assessment of property a matter of purely local concern. This plan has been advocated before the Commission by farmers on the ground that they are compelled under the present plan to pay an unfair share of the state tax because of the concealment of large masses of property in the cities, and segregation is expected to give them relief.

This argument assumes that if the assessment in each county could be fairly made the objections to the present plan of apportioning the state tax would be removed. The state charges to each county such a part of the total state tax to be raised as its valuation is part of the total valuation. This in turn is collected from the taxpayers in each county in proportion to their individual assessments. The state tax in fact is so many mills on the dollar of assessed value of each person's property and rests on the same theoretical basis as the local taxes: Each person is expected to pay a state tax according to his ability, measured by the value of his possessions, just as his local taxes are.

Several important questions are raised by this branch of the argument for segregation. Would the motives which lead to a poor assessment be swept away by separation? What effect would the plan have upon the character of local assessments? Can such assessments under any circumstances be regarded as a matter of purely local concern? Have we exhausted the means of securing a fair valuation as between counties? These questions were discussed by Mr. T. S. Adams now a member of the

Wisconsin State Tax Commission in an address before the National Tax Association in 1907, as follows:

"The influences or factors responsible for inefficient assessment work are so numerous, that the desire to evade state taxes is really a negligible consideration. Enumerate these factors: first, the inherent difficulties of the task; next, the political atmosphere in which the assessor too often works; then, the insufficient time, insufficient pay, desire to evade county taxation, desire to favor personal friends and political associates—enumerate these factors, and it is plain, without reference to experience, that the mere discontinuance of state taxation of general property can work no appreciable improvement. If reference to experience is needed, I can only say that the practical separation accomplished in Wisconsin has not, in the opinion of those best qualified to judge, exerted any appreciable influence upon the character of the assessment work. There is the same old struggle over the county equalization, the same old strife between city and county, the same old scramble of the individual taxpayer to get from under the local assessment.

How could it be otherwise? Of the general property taxes—\$706,660,244 in all—collected in this country in 1902, only \$83,320,134, or 11.6 per cent, went to the state governments, while \$624,340,110, or 88.4 per cent, went to the counties, cities, and other local divisions. These figures furnish a good measure of the part which the desire to escape state taxes plays in demoralizing local assessors. The counties alone collected nearly 75 per cent more under the general property tax than the states. If the state governments should abandon the \$83,320,134 which they now are (or were in 1902) levying on general property, there would still remain \$624,340,110 to be distributed and equalized among the taxpayers of the local divisions. For the state government to abandon this greater task of equalization is a cowardly evasion of its chief duty." *State and Local Taxation, I, 522.*

The relative importance of the state taxes in Nebraska is at present somewhat greater than for the county as a whole in 1902. In 1913 of \$22,487,791 levied on the value of property for all the governments, \$3,671,385 was for state purposes and \$18,816,406 for local purposes; that is 83.6 per cent of the ad valorem taxes were for local purposes. The state levy was in 1913 7.8 mills; the average for various counties, including the state levy, ranged from 25.65 to 60.76 mills and the average for all counties was 47.25 mills. If the recommendations of the Commission for turning certain taxes over to the state are adopted, the local taxes will become relatively greater. We believe that any plan

of reform that leaves to the local assessors a practically free hand in determining how this great sum shall be apportioned among the taxpayers of the county, as is now the case, will fail of its purpose. It is Utopian to proceed on the theory that the difficulties of valuation will be lessened, or the motives for unfair assessments materially decreased, by separation. It is equally Utopian to argue that when made a local matter the people of each community will look after their own interests and correct any evils that appear in the assessments. Experience shows that they will not, that state supervision is required whether there is separation or not. The Minnesota Tax Commission has found many cases where the inequalities between townships in the same county had been passed over by the county board and have themselves equalized or ordered reassessments. In some cases the county board has called the state to its aid. This practice prevails in Kansas. In New York where till recently there was complete separation of sources the local assessment has been thus described by Mr. C. J. Tobin, Assistant Secretary of the State Board of Tax Commissioners:

“It should be remembered also that there has been no centralized control in taxation, so that each locality has been a law unto itself with the result that there has been continuous exertion on the part of each to compete in the race for approval by a showing of efficiency. The goal has been ever for a lowering in the tax rate as compared with some other county in the fear of a state tax and in any event as compared with some other town in the county on account of the county tax to which each town must contribute.”

The argument for separation on the ground that state equalization has failed is not, therefore, on closer examination, fully convincing. Administration is faulty in this state as it has been in others. But we have by no means exhausted the possibilities of improvement. The equalization of a faulty initial assessment is confessedly a more or less futile undertaking. But give to a permanent state board of tax commissioners a direct control over local assessments such as we recommend elsewhere, give to county and state equalizing boards adequate information as to the character of the property they are to equalize and the glaring inequalities will be greatly reduced if not eliminated:

**3. Separation as a Step Toward Local Option.**—Separation is advocated on another and quite different ground, namely, that it would make possible the application of the principle of “local option” in matters of taxation.

“LOCAL OPTION” OR “HOME RULE” in taxation has received considerable attention at the hands of students of the subject during the last few years. Advocates of the principle hold that the local governments should be clothed with power to determine, to a greater or less extent, the objects and the methods of taxation within their borders. It is argued that industrially and socially communities differ widely and that a tax system suited to one community may be wholly unsuited to another. These differences are most marked as between city and rural districts. Why should they be compelled to live under the same revenue system? Moreover, each community is held to be a better judge of the best means of raising revenue within its borders than the legislature can be, and that it should have a right to exercise its judgment. The assumption is, sometimes expressed more often implied, that the revenue system in one locality is a matter of no concern to other localities. In fact variety is desirable and the experiments thus permitted would lead to adoption finally of those methods and sources best adapted to the character of the community.

These, we believe, are the chief arguments for local option in taxation. That there is much merit in them can hardly be denied. But as usual in such matters there are disadvantages as well as advantages connected with the scheme. No appeal can be made to recent experience as to the operation of the principle. The whole tendency in modern times has been away from local autonomy in matters of taxation and in the direction of centralized control. Some moves have been made toward decentralization, but they have as yet yielded no experience. In 1910 the people of Oregon amended their constitution in such a way as to empower the voters to “regulate taxation and exemptions within their several counties, subject to any general law which may hereafter be enacted.” But before this amendment was made effective in any county it was repealed. As indicative of what it was believed could be done under the amendment, the following bill submitted to the voters of one of the counties is appended:

"Section 1. That all business, labor, trades, occupations, professions, and the right to conduct, work at or practice the same; and all forms of personal property; and all improvements on, in and under all land shall be and hereby are exempted from taxation for any purpose within Clackamas county, and no tax shall be imposed upon any trade, labor, business, occupation or profession under the pretext of a license or the exercise of the police power within said county; but in its application to licenses and permits this is intended only to prevent the raising of revenue from such licenses and permits, and to prevent exacting of fees therefor greater than the cost of issuing the permit or license, and is not intended to impair the police power of the county, city or state."

"Section 2. All taxes within Clackamas county shall be levied on and collected from the assessed values of all lands, water powers, deposits, natural growths, and other natural resources, and on and from the assessed values of public service corporation franchises and rights of way. This act does not affect corporation license fees and inheritance taxes collected directly by the state, nor such lands as are used only for municipal, educational, literary, scientific, religious or charitable purposes, already exempt from taxation by law."

As stated above the Oregon local option amendment has been repealed. There is now pending before the people of California an amendment which if adopted will give the people of "any county, city and county, city or town" the power to "exempt from taxation for local purposes in whole or in part, any one or more of the following classes of property: Improvements in, on or over land; shipping; household furniture; live stock; merchandise; machinery; tools; farming implements; vehicles; other personal property except franchise." In Colorado cities have the option of exempting improvements on real estate from taxation or practically so. Under this power the city of Pueblo provided by ordinance for exempting such improvements to the extent of 50 per cent of their value after January 1, 1914, and to the extent of 99 per cent of their value a year later. The legislature of Nebraska in 1913 had under consideration a measure looking in the direction of limited local option. Senate File No. 161 provided for the submission of an amendment to Article IX, Section 6 of the constitution which if adopted would give the legislature power to vest all municipal corporations with authority to assess and collect taxes "upon such sources of revenue as they shall prescribe according to rules

of taxation which shall be uniform, provided that reasonable exemptions may be allowed." This bill passed the Senate by a vote of 23 to 6, but failed in the House.

Without experience to guide in the matter of local option we are inclined to the belief that the advantages to be expected from this plan of reform have been over-estimated and that its limitations and the dangers likely to follow any large grant of authority to the local governments are seriously to be considered before any step is taken in that direction. What these limitations and dangers are is succinctly set forth in the address of Mr. Adams to which reference has already been made:

"In the first place, separation and home rule cannot materially increase the positive fiscal freedom of the local governments. It is doubtful whether they can safely be permitted to exempt any class of property they desire to relieve from taxation; but it is perfectly plain that they cannot be allowed to devise new taxes. Take the income tax, for example. Not only would it be impossible for a local government to administer the income tax without the right to call upon other officers of the state for information and assistance, but the difficult definitions and interpretations of income which the various local governments might introduce, would bring about an intolerable amount of multiple taxation. Or take the much more feasible project of license or business taxes upon commercial and manufacturing concerns in lieu of the present taxes upon plant and stock. The various local districts of a state could never be permitted to define and manipulate such taxes as they might see fit. Suppose a manufacturing concern had its factory and warehouse in village A and its principal office and salesroom in city B. The village might impose the present property tax on plant and stock while the city might, by adopting some plan of apportioning the total capital value of such concerns according to business done or gross income, tax practically all of this property again in another way. Furthermore, the local governments could not safely be permitted to tax individual categories of personal property as they saw fit. Take mortgage taxation. County A might institute a recording tax and County B the separate taxation of mortgages as personal property. Yet an individual mortgagee residing in B might lend his money in county A, with the result that, whether mortgagee or mortgagor ultimately paid the tax, it would be double or multiple taxation of the most vicious kind. In general, it is a safe conclusion that the income tax, business taxes, and all manner of ad valorem assessment in the spirit of the so-called unit rule would have to be denied the local governments under the scheme of home rule. With the

growing and commendable practice of distributing the intangible values of going concerns in accordance with their business or tangible property, it is doubtful whether even the method of assessing tangible property can be left to the discretion of the local governments. The opportunities for double taxation are too manifold. While the habitation or occupancy tax might safely, perhaps, be left to the local governments (although even this is problematical), most of the possible substitutes for the personal property tax can be introduced only as state taxes. As a matter of fact it is probable that the average legislature will never permit the local governments to bid against each other for the location of manufacturing concerns, although the pros and cons of this particular scheme seem to be evenly balanced. In other words, the tax laws for the local districts will always have to be made by the state legislature.

Evidently then, the phrase 'home rule' does not mean exactly what the words imply. We want the local governments to have the liberty to exempt personal property, but we do not want them to have liberty to tax corporations as they please. We are advocating freedom when what we want, or at least the only thing we can have, is another kind of control. What we need is not less state regulation in the matters of local taxation, but more intelligent state regulation."

**4. Piling up the Levies.**—Another argument for segregation is that it would avoid the evil of piling the levies of all the governments on one base, that of the value of property. Here is a serious fault in our system. No one can doubt that the larger the levies the greater the motive for under-valuation and other devices for escaping the tax. The real trouble here, however, is with too large a dependence on the property tax. As long as ad valorem taxes furnish so large a part of the public revenues the evil will continue. Mere segregation will afford little relief. Suppose the railroad taxes were turned over to the state and satisfied the state's need. The 7.8 mills now levied on general property for the state would no longer be needed; but the valuations of general property for local purposes would be reduced by the withdrawal of railroad property from local taxation and the local levies must be correspondingly increased. The best way to remedy this evil is to use a different base for part of the taxes. This is one of the merits of the income tax considered elsewhere. An increase of the inheritance tax would serve the same purpose of relieving the strain of ad valorem taxation.

**Effect of Separation on Economy.**—The arguments for a complete separation of sources based on the functions of the governments, the failure to equalize properly, and the evils of piling of levy upon levy, are therefore not fully convincing. On the other hand there is at least one good reason why the state should not have wholly independent sources of revenue. It may be but a crude method of passing on the economy of government to judge simply by the size of the levies, but, crude as it is, it is about the only method the electorate has of reaching conclusions under present conditions. If the state derived its revenues from corporation taxes, e. g. and made no levy on general property, the great body of taxpayers would have their interest diverted from the question of the appropriations which they now watch with some care. They would erroneously suppose that the weight of any excessive use of public funds would affect only the corporations. They would lose sight of the fact that corporation taxes are in the long run mainly indirect and will sooner or later be paid by those who employ their services. Thus the most effective check the voters now have upon extravagant expenditures would be swept away. In such a situation we might properly expect (1) a marked increase in the state's scale of expenditures and (2) an increase of corporation interest in state legislation.

**Partial Separation Desirable.**—The state now has certain independent sources. The state treasury received in 1913 \$741,623 from educational lands and investments, all for the use of the schools; from the federal government grants amounting to \$120,232 also devoted to education; \$569,552 from departmental fees and earnings, licenses, escheats, convict labor, fees from self-supporting offices and boards; while from the general tax on property payments into the treasury amounted to \$2,249,337. Some progress has recently been made in supplying the state with new taxes. The corporation occupation tax first provided in 1909 goes into the state treasury. As amended by the act of 1913 this tax yields about \$90,000 a year. The last legislature turned the troublesome but not prolific car-company tax into the state treasury and also the 2 per cent gross earnings tax on express companies, though in this case the old local taxes were left untouched. This process should be carried further, not for the purpose of abdicating to the local governments all power

over assessments but for the purposes and reasons mentioned at the beginning of this chapter.

**5. Separation Based on Efficiency of Administration.**

—There are some taxes the local officials cannot successfully administer. We have called attention elsewhere to the failure of the local governments to deal with the taxes on insurance companies. They should be administered by the Insurance Commissioner. For similar reasons the telegraph, express, and Pullman company taxes, and those on inheritances should be administered by state officers and the funds turned to state uses.

**6. The Localization of Values.**—Complaint is made under present conditions that the tax burden is not equitably apportioned because of the way property values are localized. The well established rule is to tax property at its situs for the benefit of the government within whose boundaries it lies. A mill, a mine or factory beyond the limits of a taxing district cannot be touched by it for purposes of taxation. This no doubt is a sound general rule. Usually where there are large accumulations of wealth there is large need of public revenues, and the contrary. But often property values are located in such a way as to escape their just share of taxes. It was this fact that led the people of California to adopt a plan of complete separation. It was found that the property of water, light and power companies, and frequently their principal offices, were located in districts of scant population where the levies were low, though the services were rendered and paid for in distant and more populous places. The railroad values, owing to the necessity of entering the state through certain gateways, were also piled up in communities where there was little need of revenue, to the great advantage of the few people of the community and of the railroad companies. On the theory that these values had more than a local interest and that railroads owed something to all parts of the state, the railroad taxes were turned to the state's use. The principle was the easier seen when it was proposed to tax the roads on the gross earnings basis. Everybody who used the railroads contributed to these earnings; why should not all benefit by the taxes derived from them?

The most conspicuous example of this kind in Nebraska is also in connection with the railroads. The roads themselves are fairly well distributed, though four counties are not touched by

them and a number of other counties have but a small mileage. The state board values the railroads and apportions to each county, city, township, road and school district, both tangible and intangible values according to the number of miles of road. Neighboring districts whose citizens make as much use of the railway and contribute as much to its earnings as the citizens of the district where the road is located, get no tax revenue from it for local purposes. The greatest disparity of tax burden is found in supporting schools especially in the western counties on account of this plan of distributing the railroad tax. It is urged on the one hand that all districts of the county should be allowed to levy on the railroad valuation; on the other hand, that there is no more reason for a district without mileage to benefit by the railroad values in another district than to benefit by the value of real estate or factories in a neighboring town. If the present method of apportioning these taxes is abandoned, what method should be substituted therefor?

The question here raised is largely one as to the proper size of the taxing district but it also involves the question whether certain kinds of property should be dealt with in larger districts than the general mass of property. The specific problem is whether the railroad property is of such a peculiar character that the people of districts lying at a distance from the railway have a claim upon it for purposes of local taxation. Without entering upon the difficult task of determining the line of demarcation between property that should be treated as purely local and that clothed with a more general interest, we have no difficulty in reaching the conclusion that the present method of apportioning all railroad values to the districts containing railway track works an injustice to the non-railroad districts.

Some study has been made of the relative tax burden for maintaining the schools in railroad and non-railroad districts, especially in those counties where land values are relatively low. County treasurers were asked to give the items indicated in the table which follows for six districts having a railroad and six districts without railroad mileage. In some cases village districts have been included. Thus the high average attendance in Cherry and Kimball counties indicates that such districts are included in the railroad group, but for the most part the comparison is

between rural districts. The following table shows the results of the inquiry for six counties:

| COUNTY         | Average<br>Total<br>Valuation | Average<br>Railroad<br>Valuation | Average<br>School<br>Levy<br>(Mills) | Average<br>Amount<br>of Taxes<br>Raised | Average<br>Attend-<br>ance | Average<br>Number<br>Months<br>of School |
|----------------|-------------------------------|----------------------------------|--------------------------------------|-----------------------------------------|----------------------------|------------------------------------------|
| Adams          |                               |                                  |                                      |                                         |                            |                                          |
| Railroad..     | \$559,806                     | \$163,333                        | 9.89                                 | \$5,540                                 | 27                         | .....                                    |
| Non-Railroad.. | 247,116                       | .....                            | 15.8                                 | 3,921                                   | 15                         | .....                                    |
| Cherry         |                               |                                  |                                      |                                         |                            |                                          |
| Railroad..     | 612,690                       | 226,030                          | 24.3                                 | 14,925                                  | 91                         | 8 5/6                                    |
| Non-Railroad.. | 64,965                        | .....                            | 28.7                                 | 11,870                                  | 9                          | 6½                                       |
| Holt           |                               |                                  |                                      |                                         |                            |                                          |
| Railroad..     | 191,971                       | 99,470                           | 7.99                                 | 1,535                                   | 8                          | 6½                                       |
| Non-Railroad.. | 128,079                       | .....                            | 17.3                                 | 2,225                                   | 8                          | 7                                        |
| Kimball        |                               |                                  |                                      |                                         |                            |                                          |
| Railroad..     | 848,795                       | 591,075                          | 9.94                                 | 8,434                                   | 36                         | 8 5/6                                    |
| Non-Railroad.. | 150,975                       | .....                            | 35.32                                | 5,332                                   | 15                         | 7½                                       |
| Madison        |                               |                                  |                                      |                                         |                            |                                          |
| Railroad..     | 539,522                       | 157,864                          | 7.39                                 | 3,987                                   | 14                         | 8 5/6                                    |
| Non-Railroad.. | 440,613                       | .....                            | 8.34                                 | 3,676                                   | 17                         | 9                                        |
| Phelps         |                               |                                  |                                      |                                         |                            |                                          |
| Railroad..     | 516,400                       | 211,695                          | 4.96                                 | 2,565                                   | 14                         | 8 5/6                                    |
| Non-Railroad.. | 240,860                       | .....                            | 11.9                                 | 2,878                                   | 17                         | 8                                        |

In view of such a situation, the peculiar character of the railway industry, and of the way railroad values are localized we would have no hesitation in recommending a change in the present method of apportioning the railroad taxes if it were not for the disturbance it would involve in the financial interests that have grown up under it. If only rural districts were concerned the case would be fairly clear that justice requires a change in the law; for they are all attempting to maintain about the same kind of school. But the villages and cities which have by assuming heavy burdens built up and are maintaining a high school are in a different position. Many of them would never have undertaken such a burden but for the railroad taxes and to withdraw these taxes, or to divide them for the support of non-railroad districts would bring a peculiar hardship to the high school districts. We are not contending that these districts have acquired an inviolable "vested right" to the railroad taxes; but we are pointing out that interests which have grown up in a perfectly natural way under a generally sound system ought to receive careful consideration before they are seriously disturbed.

**Table Showing for the Year 1913 the Effect on Each County (I) of Turning the Railroad Taxes Into the General Fund of the State Treasury; (II) the Effect of Distributing the Railroad Taxes to the Counties on the Basis of the School Population; and (III) the Effect of Substituting "Local Expenditures" as a Basis of Charging State Taxes to the Counties**

| Counties       | Assessed Valuation |                   | I—Taxes for Year 1913 |                          |
|----------------|--------------------|-------------------|-----------------------|--------------------------|
|                | Total              | Railroad Property | State Taxes Charged   | Railroad Taxes Collected |
|                | (1)                | (2)               | (3)                   | (4)                      |
| Adams.....     | \$7,657,232        | \$980,802         | \$59,726              | \$40,553                 |
| Antelope.....  | 5,283,142          | 459,340           | 41,209                | 19,951                   |
| Banner.....    | 436,929            |                   | 3,408                 |                          |
| Blaine.....    | 587,155            | 187,476           | 4,580                 | 8,716                    |
| Boone.....     | 5,608,066          | 487,994           | 43,743                | 19,637                   |
| Box Butte..... | 2,052,616          | 466,110           | 16,010                | 19,255                   |
| Boyd.....      | 2,798,599          | 235,340           | 21,829                | 1,291                    |
| Brown.....     | 1,832,301          | 193,200           | 14,292                | 10,236                   |
| Buffalo.....   | 7,623,468          | 1,460,176         | 59,463                | 64,332                   |
| Burt.....      | 6,996,826          | 428,181           | 54,575                | 19,754                   |
| Butler.....    | 7,917,320          | 994,551           | 61,755                | 36,936                   |
| Cass.....      | 8,430,797          | 1,297,336         | 65,760                | 54,383                   |
| Cedar.....     | 8,211,089          | 529,574           | 64,047                | 19,436                   |
| Chase.....     | 1,080,509          | 73,920            | 8,428                 | 4,475                    |
| Cherry.....    | 3,577,400          | 786,170           | 27,904                | 33,523                   |
| Cheyenne.....  | 2,738,647          | 1,093,700         | 21,361                | 48,375                   |
| Clay.....      | 8,071,012          | 977,877           | 62,954                | 33,899                   |
| Colfax.....    | 5,822,425          | 580,345           | 45,415                | 21,996                   |
| Cuming.....    | 7,802,685          | 265,686           | 60,861                | 11,347                   |
| Custer.....    | 7,408,979          | 960,597           | 57,790                | 45,161                   |
| Dakota.....    | 3,180,568          | 503,339           | 24,808                | 24,398                   |
| Dawes.....     | 2,267,310          | 742,204           | 17,685                | 32,696                   |
| Dawson.....    | 6,671,635          | 1,137,696         | 52,039                | 56,972                   |
| Deuel.....     | 1,221,201          | 602,100           | 9,525                 | 24,765                   |
| Dixon.....     | 4,685,992          | 475,290           | 36,551                | 20,202                   |
| Dodge.....     | 9,618,980          | 1,139,515         | 75,028                | 53,841                   |
| Douglas.....   | 45,486,359         | 1,958,051         | 354,794               | 277,524                  |
| Dundy.....     | 1,516,763          | 665,440           | 11,831                | 25,347                   |
| Fillmore.....  | 7,477,178          | 1,013,116         | 58,322                | 36,472                   |
| Franklin.....  | 3,924,478          | 405,582           | 30,611                | 18,341                   |
| Frontier.....  | 2,710,601          | 224,000           | 21,143                | 11,874                   |
| Furnas.....    | 4,030,376          | 645,120           | 31,437                | 28,525                   |
| Gage.....      | 11,631,679         | 1,461,045         | 90,727                | 61,989                   |
| Garden.....    | 1,006,711          | 166,300           | 7,853                 | 8,039                    |
| Garfield.....  | 714,763            | 22,935            | 5,575                 | 1,053                    |
| Gosper.....    | 1,953,689          | 145,040           | 15,239                | 5,840                    |
| Grant.....     | 749,981            | 315,180           | 5,850                 | 9,809                    |
| Greeley.....   | 3,429,607          | 339,739           | 26,751                | 12,974                   |
| Hall.....      | 7,918,553          | 1,015,236         | 61,765                | 43,937                   |
| Hamilton.....  | 7,924,559          | 522,658           | 61,812                | 17,124                   |
| Harlan.....    | 3,320,926          | 695,700           | 25,903                | 27,978                   |
| Hayes.....     | 734,001            | 50,360            | 5,725                 | 2,255                    |
| Hitchcock..... | 1,887,351          | 571,440           | 14,721                | 28,643                   |
| Holt.....      | 4,737,294          | 502,380           | 36,951                | 28,079                   |
| Hooker.....    | 558,092            | 307,836           | 4,353                 | 15,388                   |
| Howard.....    | 4,433,952          | 700,581           | 34,585                | 29,254                   |

Table Showing for the Year 1913 the Effect on Each County (I) of Turning the Railroad Taxes Into the General Fund of the State Treasury; (II) the Effect of Distributing the Railroad Taxes to the Counties on the Basis of the School Population; and (III) the Effect of Substituting "Local Expenditures" as a Basis of Charging State Taxes to the Counties—(Continued)

## I—Taxes for the Year 1913

| Local Share of Railroad Taxes<br>(5) | State's Share of Railroad Taxes<br>(6) | Difference Between State Taxes Charged and Railroad Taxes Collected in Each County<br>(7) | State Tax Required Over and Above Amount of Railroad Tax Collected (2.75 Mills)<br>(8) | The Gain to Counties by Turning R. R. Taxes into State Treasury<br>(9) | The Loss to Counties by Turning R. R. Taxes into State Treasury<br>(10) |
|--------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------|
| \$32,903                             | \$7,650                                | \$19,174                                                                                  | \$18,360                                                                               | \$814                                                                  | .....                                                                   |
| 16,368                               | 3,583                                  | 21,258                                                                                    | 13,265                                                                                 | 7,993                                                                  | .....                                                                   |
| .....                                | .....                                  | 3,408                                                                                     | 1,202                                                                                  | 2,206                                                                  | .....                                                                   |
| 7,254                                | 1,462                                  | 4,136                                                                                     | 1,099                                                                                  | .....                                                                  | 5,235                                                                   |
| 15,831                               | 3,806                                  | 24,106                                                                                    | 14,080                                                                                 | 10,026                                                                 | .....                                                                   |
| 15,619                               | 3,636                                  | 3,245                                                                                     | 4,363                                                                                  | .....                                                                  | 7,608                                                                   |
| 455                                  | 1,836                                  | 20,538                                                                                    | 7,049                                                                                  | 13,489                                                                 | .....                                                                   |
| 8,729                                | 1,507                                  | 4,056                                                                                     | 4,508                                                                                  | .....                                                                  | 452                                                                     |
| 52,943                               | 11,389                                 | 4,869                                                                                     | 16,949                                                                                 | .....                                                                  | 21,818                                                                  |
| 16,414                               | 3,340                                  | 34,821                                                                                    | 18,064                                                                                 | 16,757                                                                 | .....                                                                   |
| 29,178                               | 7,758                                  | 24,819                                                                                    | 19,038                                                                                 | 5,781                                                                  | .....                                                                   |
| 44,264                               | 10,119                                 | 11,377                                                                                    | 19,617                                                                                 | .....                                                                  | 8,240                                                                   |
| 15,305                               | 4,131                                  | 44,610                                                                                    | 21,124                                                                                 | 23,486                                                                 | .....                                                                   |
| 3,898                                | 577                                    | 3,953                                                                                     | 2,768                                                                                  | 1,185                                                                  | .....                                                                   |
| 27,391                               | 6,132                                  | 5,619                                                                                     | 7,676                                                                                  | .....                                                                  | 13,295                                                                  |
| 39,844                               | 8,531                                  | 27,013                                                                                    | 4,524                                                                                  | .....                                                                  | 31,537                                                                  |
| 26,272                               | 7,627                                  | 29,055                                                                                    | 19,506                                                                                 | 9,549                                                                  | .....                                                                   |
| 17,469                               | 4,527                                  | 23,419                                                                                    | 14,416                                                                                 | 9,003                                                                  | .....                                                                   |
| 9,275                                | 2,072                                  | 49,514                                                                                    | 20,727                                                                                 | 28,787                                                                 | .....                                                                   |
| 37,668                               | 7,493                                  | 12,629                                                                                    | 17,733                                                                                 | .....                                                                  | 5,104                                                                   |
| 20,472                               | 3,926                                  | 411                                                                                       | 7,362                                                                                  | .....                                                                  | 6,951                                                                   |
| 26,907                               | 5,789                                  | 15,011                                                                                    | 4,194                                                                                  | .....                                                                  | 19,205                                                                  |
| 48,098                               | 8,874                                  | 4,933                                                                                     | 15,218                                                                                 | .....                                                                  | 20,151                                                                  |
| 20,069                               | 4,696                                  | 15,240                                                                                    | 1,703                                                                                  | .....                                                                  | 16,943                                                                  |
| 16,495                               | 3,707                                  | 16,349                                                                                    | 11,579                                                                                 | 4,770                                                                  | .....                                                                   |
| 44,953                               | 8,888                                  | 21,187                                                                                    | 23,319                                                                                 | .....                                                                  | 2,132                                                                   |
| 262,251                              | 15,273                                 | 77,269                                                                                    | 119,703                                                                                | .....                                                                  | 42,434                                                                  |
| 20,157                               | 5,190                                  | 13,516                                                                                    | 2,341                                                                                  | .....                                                                  | 15,857                                                                  |
| 28,570                               | 7,902                                  | 21,850                                                                                    | 17,776                                                                                 | 4,074                                                                  | .....                                                                   |
| 15,177                               | 3,164                                  | 12,269                                                                                    | 9,677                                                                                  | 2,592                                                                  | .....                                                                   |
| 10,127                               | 1,747                                  | 9,269                                                                                     | 6,838                                                                                  | 2,431                                                                  | .....                                                                   |
| 23,493                               | 5,032                                  | 2,912                                                                                     | 9,309                                                                                  | .....                                                                  | 6,397                                                                   |
| 50,593                               | 11,396                                 | 28,738                                                                                    | 27,969                                                                                 | 769                                                                    | .....                                                                   |
| 7,742                                | 1,297                                  | 186                                                                                       | 2,311                                                                                  | .....                                                                  | 2,497                                                                   |
| 874                                  | 179                                    | 4,522                                                                                     | 1,903                                                                                  | 2,619                                                                  | .....                                                                   |
| 4,709                                | 1,131                                  | 9,399                                                                                     | 4,974                                                                                  | 4,425                                                                  | .....                                                                   |
| 7,351                                | 2,458                                  | 3,959                                                                                     | 1,196                                                                                  | .....                                                                  | 5,155                                                                   |
| 10,324                               | 2,650                                  | 13,777                                                                                    | 8,497                                                                                  | 5,280                                                                  | .....                                                                   |
| 36,018                               | 7,919                                  | 17,828                                                                                    | 18,984                                                                                 | .....                                                                  | 1,156                                                                   |
| 13,047                               | 4,077                                  | 44,688                                                                                    | 20,350                                                                                 | 24,333                                                                 | .....                                                                   |
| 22,552                               | 5,426                                  | 2,075                                                                                     | 7,219                                                                                  | .....                                                                  | 9,294                                                                   |
| 1,862                                | 393                                    | 3,470                                                                                     | 1,880                                                                                  | 1,590                                                                  | .....                                                                   |
| 24,186                               | 4,457                                  | 13,922                                                                                    | 3,619                                                                                  | .....                                                                  | 17,541                                                                  |
| 24,160                               | 3,919                                  | 8,872                                                                                     | 11,646                                                                                 | .....                                                                  | 2,774                                                                   |
| 12,987                               | 2,401                                  | 11,035                                                                                    | 688                                                                                    | .....                                                                  | 11,723                                                                  |
| 23,789                               | 5,465                                  | 5,331                                                                                     | 10,267                                                                                 | .....                                                                  | 4,936                                                                   |

Table Showing for the Year 1913 the Effect on Each County (I) of Turning the Railroad Taxes Into the General Fund of the State Treasury; (II) the Effect of Distributing the Railroad Taxes to the Counties on the Basis of the School Population; and (III) the Effect of Substituting "Local Expenditures" as a Basis of Charging State Taxes to the Counties—(Continued)

| Counties     | Assessed Valuation |                   | I—Taxes for Year 1913 |                          |
|--------------|--------------------|-------------------|-----------------------|--------------------------|
|              | Total              | Railroad Property | State Taxes Charged   | Railroad Taxes Collected |
|              | (1)                | (2)               | (3)                   | (4)                      |
| Jefferson    | 6,982,280          | 989,651           | 54,462                | 36,580                   |
| Johnson      | 4,756,115          | 435,006           | 37,098                | 17,182                   |
| Kearney      | 4,297,134          | 641,058           | 33,518                | 24,533                   |
| Keith        | 2,166,478          | 1,146,850         | 16,899                | 48,582                   |
| Keya Paha    | 1,006,543          |                   | 7,851                 |                          |
| Kimball      | 1,515,052          | 814,725           | 11,817                | 24,691                   |
| Knox         | 5,841,897          | 404,309           | 45,567                | 20,855                   |
| Lancaster    | 23,980,164         | 2,235,770         | 187,045               | 110,936                  |
| Lincoln      | 5,334,410          | 1,702,190         | 41,608                | 80,622                   |
| Logan        | 532,445            | 102,319           | 4,153                 | 5,585                    |
| Loup         | 419,928            |                   | 3,275                 |                          |
| McPherson    | 545,377            |                   | 4,254                 |                          |
| Madison      | 6,906,174          | 458,066           | 53,868                | 24,427                   |
| Merrick      | 5,279,341          | 1,167,184         | 41,179                | 44,828                   |
| Morrill      | 1,571,682          | 511,050           | 12,259                | 25,697                   |
| Nance        | 4,171,545          | 312,248           | 32,538                | 14,131                   |
| Nemaha       | 5,773,820          | 454,416           | 45,036                | 16,253                   |
| Nuckolls     | 6,095,336          | 842,404           | 47,544                | 30,685                   |
| Otoe         | 8,726,464          | 779,415           | 68,066                | 31,977                   |
| Pawnee       | 5,438,629          | 717,883           | 42,421                | 28,540                   |
| Perkins      | 1,370,237          | 307,020           | 10,688                | 10,888                   |
| Phelps       | 4,400,861          | 486,676           | 34,327                | 16,567                   |
| Pierce       | 4,663,348          | 370,589           | 36,374                | 15,162                   |
| Platte       | 9,043,071          | 1,062,056         | 70,536                | 33,582                   |
| Polk         | 5,663,987          | 253,338           | 44,179                | 10,448                   |
| Red Willow   | 3,089,829          | 594,090           | 24,101                | 28,032                   |
| Richardson   | 7,582,241          | 668,822           | 59,141                | 25,555                   |
| Rock         | 1,192,469          | 161,840           | 9,301                 | 7,059                    |
| Saline       | 8,228,839          | 813,098           | 64,185                | 27,789                   |
| Sarpy        | 4,254,636          | 1,218,472         | 33,186                | 46,365                   |
| Saunders     | 10,493,969         | 1,210,648         | 81,853                | 43,635                   |
| Scotts Bluff | 2,788,631          | 283,550           | 21,751                | 16,424                   |
| Seward       | 8,499,228          | 695,316           | 66,294                | 23,064                   |
| Sheridan     | 2,860,442          | 666,546           | 22,311                | 25,667                   |
| Sherman      | 3,204,661          | 453,173           | 24,996                | 23,420                   |
| Sioux        | 1,397,566          | 386,420           | 10,901                | 15,543                   |
| Stanton      | 4,416,184          | 163,396           | 34,446                | 6,466                    |
| Thayer       | 6,142,077          | 670,185           | 47,908                | 26,737                   |
| Thomas       | 532,546            | 339,762           | 4,154                 | 18,234                   |
| Thurston     | 3,426,161          | 268,831           | 26,724                | 14,048                   |
| Valley       | 3,641,053          | 304,807           | 28,400                | 13,000                   |
| Washington   | 5,862,859          | 388,373           | 45,730                | 21,838                   |
| Wayne        | 5,702,159          | 377,941           | 44,477                | 14,334                   |
| Webster      | 5,388,463          | 530,532           | 42,030                | 20,917                   |
| Wheeler      | 696,934            | 13,440            | 5,436                 | 878                      |
| York         | 9,077,353          | 639,606           | 70,803                | 21,680                   |
| Totals       | \$470,690,414      | \$55,829,329      | \$3,671,884           | \$2,530,011              |

Table Showing for the Year 1913 the Effect of Each County (I) of Turning the Railroad Taxes Into the General Fund of the State Treasury; (II) the Effect of Distributing the Railroad Taxes to the Counties on the Basis of the School Population; and (III) the Effect of Substituting "Local Expenditures" as a Basis of Charging State Taxes to the Counties—(Continued)

## I—Taxes for the Year 1913

| Local Share of Railroad Taxes<br>(5) | State's Share of Railroad Taxes<br>(6) | Difference Between State Taxes Charged and Railroad Taxes Collected in Each County<br>(7) | State Tax Required Over and Above Amount of Railroad Tax Collected (2.75 Mills)<br>(8) | The Gain to Counties by Turning R. R. Taxes into State Treasury<br>(9) | The Loss to Counties by Turning R. R. Taxes into State Treasury<br>(10) |
|--------------------------------------|----------------------------------------|-------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|------------------------------------------------------------------------|-------------------------------------------------------------------------|
| 28,861                               | 7,719                                  | 17,882                                                                                    | 16,480                                                                                 | 1,402                                                                  | .....                                                                   |
| 13,789                               | 3,393                                  | 19,915                                                                                    | 11,883                                                                                 | 8,032                                                                  | .....                                                                   |
| 19,533                               | 5,000                                  | 8,985                                                                                     | 10,054                                                                                 | .....                                                                  | 1,069                                                                   |
| 39,637                               | 8,945                                  | 31,684                                                                                    | 2,804                                                                                  | .....                                                                  | 34,488                                                                  |
| .....                                | .....                                  | 7,851                                                                                     | 2,768                                                                                  | 5,083                                                                  | .....                                                                   |
| 18,336                               | 6,355                                  | 12,873                                                                                    | 1,926                                                                                  | .....                                                                  | 14,799                                                                  |
| 17,701                               | 3,154                                  | 24,712                                                                                    | 14,953                                                                                 | 9,759                                                                  | .....                                                                   |
| 93,497                               | 17,439                                 | 76,109                                                                                    | 59,797                                                                                 | 16,312                                                                 | .....                                                                   |
| 67,345                               | 13,277                                 | 39,014                                                                                    | 9,989                                                                                  | .....                                                                  | 49,003                                                                  |
| 4,796                                | 798                                    | 1,432                                                                                     | 1,183                                                                                  | .....                                                                  | 2,615                                                                   |
| .....                                | .....                                  | 3,275                                                                                     | 1,155                                                                                  | 2,120                                                                  | .....                                                                   |
| .....                                | .....                                  | 4,254                                                                                     | 1,500                                                                                  | 2,754                                                                  | .....                                                                   |
| 20,854                               | 3,573                                  | 29,441                                                                                    | 17,732                                                                                 | 11,709                                                                 | .....                                                                   |
| 35,724                               | 9,104                                  | 3,649                                                                                     | 11,308                                                                                 | .....                                                                  | 14,957                                                                  |
| 21,711                               | 3,986                                  | 13,438                                                                                    | 2,917                                                                                  | .....                                                                  | 16,355                                                                  |
| 11,695                               | 2,436                                  | 18,408                                                                                    | 10,613                                                                                 | 7,795                                                                  | .....                                                                   |
| 12,709                               | 3,544                                  | 28,783                                                                                    | 14,628                                                                                 | 14,155                                                                 | .....                                                                   |
| 24,114                               | 6,571                                  | 16,858                                                                                    | 14,446                                                                                 | 2,412                                                                  | .....                                                                   |
| 25,898                               | 6,079                                  | 36,089                                                                                    | 21,854                                                                                 | 14,235                                                                 | .....                                                                   |
| 22,941                               | 5,599                                  | 13,882                                                                                    | 12,982                                                                                 | 900                                                                    | .....                                                                   |
| 8,493                                | 2,395                                  | 200                                                                                       | 2,924                                                                                  | .....                                                                  | 3,124                                                                   |
| 12,771                               | 3,796                                  | 17,759                                                                                    | 10,764                                                                                 | 6,995                                                                  | .....                                                                   |
| 12,271                               | 2,891                                  | 21,213                                                                                    | 11,805                                                                                 | 9,408                                                                  | .....                                                                   |
| 25,298                               | 8,284                                  | 36,954                                                                                    | 21,948                                                                                 | 15,006                                                                 | .....                                                                   |
| 8,472                                | 1,976                                  | 33,731                                                                                    | 14,879                                                                                 | 18,852                                                                 | .....                                                                   |
| 23,308                               | 4,634                                  | 3,931                                                                                     | 6,863                                                                                  | .....                                                                  | 10,794                                                                  |
| 20,338                               | 5,217                                  | 33,587                                                                                    | 19,012                                                                                 | 14,575                                                                 | .....                                                                   |
| 5,797                                | 1,262                                  | 2,243                                                                                     | 2,834                                                                                  | .....                                                                  | 591                                                                     |
| 21,447                               | 6,342                                  | 36,396                                                                                    | 20,393                                                                                 | 16,003                                                                 | .....                                                                   |
| 36,861                               | 9,504                                  | 13,178                                                                                    | 8,349                                                                                  | .....                                                                  | 21,527                                                                  |
| 34,192                               | 9,443                                  | 38,218                                                                                    | 25,529                                                                                 | 12,689                                                                 | .....                                                                   |
| 14,212                               | 2,212                                  | 5,327                                                                                     | 6,889                                                                                  | .....                                                                  | 1,562                                                                   |
| 17,641                               | 5,423                                  | 43,230                                                                                    | 21,461                                                                                 | 21,769                                                                 | .....                                                                   |
| 20,468                               | 5,199                                  | 3,356                                                                                     | 6,033                                                                                  | .....                                                                  | 9,389                                                                   |
| 19,885                               | 3,535                                  | 1,576                                                                                     | 7,567                                                                                  | .....                                                                  | 5,991                                                                   |
| 12,529                               | 3,014                                  | 4,642                                                                                     | 2,781                                                                                  | .....                                                                  | 7,423                                                                   |
| 5,192                                | 1,274                                  | 27,981                                                                                    | 11,695                                                                                 | 16,286                                                                 | .....                                                                   |
| 21,510                               | 5,227                                  | 21,162                                                                                    | 15,048                                                                                 | 6,114                                                                  | .....                                                                   |
| 15,584                               | 2,650                                  | 14,080                                                                                    | 530                                                                                    | .....                                                                  | 14,610                                                                  |
| 11,951                               | 2,097                                  | 12,676                                                                                    | 8,683                                                                                  | 3,993                                                                  | .....                                                                   |
| 10,623                               | 2,377                                  | 15,400                                                                                    | 9,175                                                                                  | 6,225                                                                  | .....                                                                   |
| 18,809                               | 3,029                                  | 23,893                                                                                    | 15,055                                                                                 | 8,838                                                                  | .....                                                                   |
| 11,386                               | 2,948                                  | 30,143                                                                                    | 14,642                                                                                 | 15,501                                                                 | .....                                                                   |
| 16,779                               | 4,138                                  | 21,113                                                                                    | 13,359                                                                                 | 7,754                                                                  | .....                                                                   |
| 773                                  | 105                                    | 4,558                                                                                     | 1,880                                                                                  | 2,678                                                                  | .....                                                                   |
| 16,691                               | 4,989                                  | 49,123                                                                                    | 23,204                                                                                 | 25,919                                                                 | .....                                                                   |
| \$2,094,546                          | \$435,465                              | \$1,141,373                                                                               | \$1,141,373                                                                            | \$487,232                                                              | \$486,732                                                               |

Table Showing for the Year 1913 the Effect on Each County (I) of Turning the Railroad Taxes Into the General Fund of the State Treasury; (II) the Effect of Distributing the Railroad Taxes to the Counties on the Basis of the School Population; and (III) the Effect of Substituting "Local Expenditures" as a Basis of Charging State Taxes to the Counties—(Continued)

| Counties      | II—Railroad Taxes Apportioned According to School Population, 1913 |                                     |                                                            | III—State Taxes Charged on the Basis of Local Expenditures, 1913 |                           |                                                        |
|---------------|--------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------|------------------------------------------------------------------|---------------------------|--------------------------------------------------------|
|               | School Population<br>(11)                                          | Percent of Total Population<br>(12) | Share of Railroad Taxes Based on School Population<br>(13) | Taxes Charged for Local Purposes 1913<br>(14)                    | Per cent of Total<br>(15) | Each County's Share of State Taxes Apportioned<br>(16) |
| Adams.....    | 6,309                                                              | 1.6605                              | \$42,012                                                   | \$315,248                                                        | 1.6753                    | \$61,509                                               |
| Antelope..... | 5,281                                                              | 1.3900                              | 35,168                                                     | 200,828                                                          | 1.0672                    | 39,184                                                 |
| Banner.....   | 383                                                                | 0.1008                              | 2,551                                                      | 15,725                                                           | 0.0835                    | 3,068                                                  |
| Blaine.....   | 582                                                                | 0.1531                              | 3,874                                                      | 20,786                                                           | 0.1104                    | 4,056                                                  |
| Boone.....    | 4,456                                                              | 1.1728                              | 29,673                                                     | 196,288                                                          | 1.0431                    | 38,298                                                 |
| Box Butte.... | 2,081                                                              | 0.5345                              | 13,524                                                     | 108,665                                                          | 0.5774                    | 21,201                                                 |
| Boyd.....     | 3,259                                                              | 0.8577                              | 21,701                                                     | 121,587                                                          | 0.6461                    | 23,724                                                 |
| Brown.....    | 2,083                                                              | 0.5482                              | 13,871                                                     | 90,292                                                           | 0.4798                    | 17,617                                                 |
| Buffalo.....  | 7,067                                                              | 1.8600                              | 47,059                                                     | 358,639                                                          | 1.9059                    | 69,978                                                 |
| Burt.....     | 4,142                                                              | 1.0902                              | 27,583                                                     | 257,686                                                          | 1.3694                    | 50,277                                                 |
| Butler.....   | 4,920                                                              | 1.2949                              | 32,762                                                     | 240,308                                                          | 1.2770                    | 46,885                                                 |
| Cass.....     | 6,081                                                              | 1.6005                              | 40,494                                                     | 274,834                                                          | 1.4605                    | 53,622                                                 |
| Cedar.....    | 5,528                                                              | 1.4550                              | 36,813                                                     | 217,432                                                          | 1.1555                    | 42,425                                                 |
| Chase.....    | 1,235                                                              | 0.3250                              | 8,224                                                      | 53,501                                                           | 0.2843                    | 10,439                                                 |
| Cherry.....   | 3,622                                                              | 0.9533                              | 24,120                                                     | 150,206                                                          | 0.7982                    | 29,307                                                 |
| Cheyenne....  | 1,531                                                              | 0.4029                              | 10,194                                                     | 108,799                                                          | 0.5782                    | 21,229                                                 |
| Clay.....     | 4,842                                                              | 1.2744                              | 32,243                                                     | 235,545                                                          | 1.2517                    | 45,957                                                 |
| Colfax.....   | 4,119                                                              | 1.0841                              | 27,429                                                     | 178,549                                                          | 0.9488                    | 34,836                                                 |
| Cuming.....   | 4,925                                                              | 1.2963                              | 32,798                                                     | 225,895                                                          | 1.2005                    | 44,077                                                 |
| Custer.....   | 8,443                                                              | 2.2222                              | 56,223                                                     | 378,528                                                          | 2.0116                    | 73,859                                                 |
| Dakota.....   | 2,271                                                              | 0.5977                              | 15,123                                                     | 112,570                                                          | 0.5982                    | 21,964                                                 |
| Dawes.....    | 2,263                                                              | 0.5956                              | 15,070                                                     | 118,768                                                          | 0.6312                    | 23,176                                                 |
| Dawson.....   | 4,791                                                              | 1.2610                              | 31,904                                                     | 301,199                                                          | 1.6007                    | 58,769                                                 |
| Deuel.....    | 519                                                                | 0.1376                              | 3,482                                                      | 45,488                                                           | 0.2417                    | 8,876                                                  |
| Dixon.....    | 4,116                                                              | 1.0833                              | 27,409                                                     | 167,291                                                          | 0.8890                    | 32,641                                                 |
| Dodge.....    | 7,096                                                              | 1.8677                              | 47,254                                                     | 353,539                                                          | 1.8788                    | 68,983                                                 |
| Douglas.....  | 42,223                                                             | 11.1134                             | 281,172                                                    | 3,084,652                                                        | 16.3932                   | 601,862                                                |
| Dundy.....    | 1,262                                                              | 0.3321                              | 8,403                                                      | 59,053                                                           | 0.3138                    | 11,523                                                 |
| Fillmore..... | 4,701                                                              | 1.2373                              | 31,305                                                     | 217,426                                                          | 1.1554                    | 42,421                                                 |
| Franklin..... | 3,725                                                              | 0.9804                              | 24,805                                                     | 146,887                                                          | 0.7806                    | 28,661                                                 |
| Frontier..... | 3,004                                                              | 0.7906                              | 20,003                                                     | 115,854                                                          | 0.6157                    | 22,607                                                 |
| Furnas.....   | 3,843                                                              | 1.0115                              | 25,592                                                     | 170,104                                                          | 0.9040                    | 33,191                                                 |
| Gage.....     | 9,259                                                              | 2.4370                              | 61,657                                                     | 459,680                                                          | 2.4429                    | 89,693                                                 |
| Garden.....   | 1,296                                                              | 0.3411                              | 8,631                                                      | 39,034                                                           | 0.2074                    | 7,615                                                  |
| Garfield..... | 1,225                                                              | 0.3224                              | 8,158                                                      | 37,661                                                           | 0.2001                    | 7,348                                                  |
| Gosper.....   | 1,758                                                              | 0.4627                              | 11,707                                                     | 65,655                                                           | 0.3489                    | 12,811                                                 |
| Grant.....    | 385                                                                | 0.1013                              | 2,564                                                      | 18,989                                                           | 0.1009                    | 3,705                                                  |
| Greeley.....  | 2,997                                                              | 0.7888                              | 19,958                                                     | 114,307                                                          | 0.6074                    | 22,301                                                 |
| Hall.....     | 6,156                                                              | 1.6203                              | 40,995                                                     | 319,847                                                          | 1.6998                    | 62,412                                                 |
| Hamilton..... | 4,181                                                              | 1.1004                              | 27,841                                                     | 221,381                                                          | 1.1765                    | 43,196                                                 |
| Harlan.....   | 3,265                                                              | 0.8593                              | 21,741                                                     | 126,625                                                          | 0.6729                    | 24,707                                                 |
| Hayes.....    | 1,087                                                              | 0.2861                              | 7,239                                                      | 34,287                                                           | 0.1822                    | 6,691                                                  |
| Hitchcock.... | 1,693                                                              | 0.4456                              | 11,275                                                     | 98,129                                                           | 0.5215                    | 19,148                                                 |
| Holt.....     | 5,434                                                              | 1.4302                              | 36,185                                                     | 85,793                                                           | 0.4559                    | 16,739                                                 |
| Hooker.....   | 447                                                                | 0.1176                              | 2,977                                                      | 26,068                                                           | 0.1385                    | 5,086                                                  |
| Howard.....   | 3,911                                                              | 1.0294                              | 26,045                                                     | 159,786                                                          | 0.8491                    | 31,176                                                 |

Table Showing for the Year 1913 the Effect on Each County (I) of Turning the Railroad Taxes Into the General Fund of the State Treasury; (II) the Effect of Distributing the Railroad Taxes to the Counties on the Basis of the School Population; and (III) the Effect of Substituting "Local Expenditures" as a Basis of Charging State Taxes to the Counties—(Continued)

| Counties                | II—Railroad Taxes Apportioned According to School Population, 1913 |                                     |                                                            | III—State Taxes Charged on the Basis of Local Expenditures, 1913 |                          |                                                        |
|-------------------------|--------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------|------------------------------------------------------------------|--------------------------|--------------------------------------------------------|
|                         | School Population<br>(11)                                          | Percent of Total Population<br>(12) | Share of Railroad Taxes Based on School Population<br>(13) | Taxes Charged for Local Purposes 1913<br>(14)                    | Percent of Total<br>(15) | Each County's Share of State Taxes Apportioned<br>(16) |
| Jefferson . . . . .     | 5,353                                                              | 1.4089                              | 35,647                                                     | 236,565                                                          | 1.2572                   | 46,159                                                 |
| Johnson . . . . .       | 3,468                                                              | 0.9128                              | 23,095                                                     | 169,846                                                          | 0.9026                   | 33,139                                                 |
| Kearney . . . . .       | 2,874                                                              | 0.7564                              | 19,138                                                     | 137,774                                                          | 0.7321                   | 26,879                                                 |
| Keith . . . . .         | 1,140                                                              | 0.3000                              | 7,591                                                      | 96,126                                                           | 0.5108                   | 18,756                                                 |
| Keya Paha . . . . .     | 1,196                                                              | 0.3147                              | 7,963                                                      | 43,573                                                           | 0.2315                   | 8,501                                                  |
| Kimball . . . . .       | 748                                                                | 0.1968                              | 4,980                                                      | 77,611                                                           | 0.4124                   | 15,143                                                 |
| Knox . . . . .          | 7,005                                                              | 1.8437                              | 46,647                                                     | 259,046                                                          | 1.3766                   | 50,532                                                 |
| Lancaster . . . . .     | 21,118                                                             | 5.5584                              | 140,630                                                    | 1,326,112                                                        | 7.0475                   | 258,746                                                |
| Lincoln . . . . .       | 4,837                                                              | 1.2731                              | 32,211                                                     | 281,452                                                          | 1.4957                   | 54,914                                                 |
| Logan . . . . .         | 634                                                                | 0.1668                              | 4,221                                                      | 23,134                                                           | 0.1496                   | 5,493                                                  |
| Loup . . . . .          | 760                                                                | 0.2000                              | 5,061                                                      | 22,867                                                           | 0.1215                   | 4,462                                                  |
| McPherson . . . . .     | 1,131                                                              | 0.2976                              | 7,530                                                      | 22,004                                                           | 0.1169                   | 4,293                                                  |
| Madison . . . . .       | 6,464                                                              | 1.7013                              | 43,044                                                     | 308,766                                                          | 1.6409                   | 60,249                                                 |
| Merrick . . . . .       | 3,045                                                              | 0.8014                              | 20,277                                                     | 185,050                                                          | 0.9834                   | 36,106                                                 |
| Morrill . . . . .       | 1,823                                                              | 0.4798                              | 12,140                                                     | 67,060                                                           | 0.3563                   | 13,083                                                 |
| Nance . . . . .         | 3,020                                                              | 0.7948                              | 20,110                                                     | 169,988                                                          | 0.9033                   | 33,166                                                 |
| Nemaha . . . . .        | 4,504                                                              | 1.1854                              | 29,992                                                     | 187,025                                                          | 0.9939                   | 36,491                                                 |
| Nuckolls . . . . .      | 4,445                                                              | 1.1699                              | 29,600                                                     | 202,674                                                          | 1.0770                   | 39,542                                                 |
| Otoe . . . . .          | 6,341                                                              | 1.6690                              | 42,227                                                     | 313,482                                                          | 1.6659                   | 61,164                                                 |
| Pawnee . . . . .        | 3,441                                                              | 0.9057                              | 22,915                                                     | 175,605                                                          | 0.9332                   | 34,262                                                 |
| Perkins . . . . .       | 704                                                                | 0.1852                              | 4,687                                                      | 42,696                                                           | 0.2269                   | 8,332                                                  |
| Phelps . . . . .        | 2,952                                                              | 0.7769                              | 19,657                                                     | 138,113                                                          | 0.7339                   | 26,945                                                 |
| Pierce . . . . .        | 3,780                                                              | 0.9949                              | 25,172                                                     | 155,446                                                          | 0.8261                   | 30,331                                                 |
| Platte . . . . .        | 6,756                                                              | 1.7782                              | 44,990                                                     | 236,973                                                          | 1.2593                   | 46,236                                                 |
| Polk . . . . .          | 3,336                                                              | 0.8780                              | 22,214                                                     | 163,076                                                          | 0.8666                   | 31,817                                                 |
| Red Willow . . . . .    | 3,371                                                              | 0.8872                              | 22,447                                                     | 144,082                                                          | 0.7657                   | 28,113                                                 |
| Richardson . . . . .    | 6,059                                                              | 1.5947                              | 40,347                                                     | 277,373                                                          | 1.4740                   | 54,117                                                 |
| Rock . . . . .          | 1,327                                                              | 0.3492                              | 8,836                                                      | 49,699                                                           | 0.2641                   | 9,697                                                  |
| Saline . . . . .        | 5,775                                                              | 1.5200                              | 38,457                                                     | 238,435                                                          | 1.2671                   | 46,522                                                 |
| Sarpy . . . . .         | 2,833                                                              | 0.7456                              | 18,865                                                     | 147,341                                                          | 0.7830                   | 28,748                                                 |
| Saunders . . . . .      | 7,203                                                              | 1.8958                              | 47,965                                                     | 291,488                                                          | 1.5490                   | 56,871                                                 |
| Scotts Bluff . . . . .  | 3,460                                                              | 0.9107                              | 23,042                                                     | 166,060                                                          | 0.8825                   | 32,401                                                 |
| Seward . . . . .        | 5,106                                                              | 1.3439                              | 34,002                                                     | 221,853                                                          | 1.1790                   | 43,288                                                 |
| Sheridan . . . . .      | 2,340                                                              | 0.6159                              | 15,584                                                     | 115,413                                                          | 0.6133                   | 22,518                                                 |
| Sherman . . . . .       | 3,248                                                              | 0.8549                              | 21,630                                                     | 150,369                                                          | 0.7991                   | 29,339                                                 |
| Sioux . . . . .         | 1,779                                                              | 0.4682                              | 11,847                                                     | 60,002                                                           | 0.3188                   | 11,706                                                 |
| Stanton . . . . .       | 2,661                                                              | 0.7003                              | 17,719                                                     | 128,285                                                          | 0.6817                   | 25,029                                                 |
| Thayer . . . . .        | 4,820                                                              | 1.2686                              | 32,097                                                     | 203,281                                                          | 1.0803                   | 39,664                                                 |
| Thomas . . . . .        | 551                                                                | 0.1450                              | 3,670                                                      | 26,788                                                           | 0.1423                   | 5,225                                                  |
| Thurston . . . . .      | 3,217                                                              | 0.8467                              | 21,423                                                     | 147,235                                                          | 0.7824                   | 28,726                                                 |
| Valley . . . . .        | 3,312                                                              | 0.8717                              | 22,055                                                     | 134,088                                                          | 0.7126                   | 26,164                                                 |
| Washington . . . . .    | 4,327                                                              | 1.1389                              | 28,815                                                     | 189,169                                                          | 1.0053                   | 36,909                                                 |
| Wayne . . . . .         | 3,480                                                              | 0.9159                              | 23,173                                                     | 153,943                                                          | 0.8181                   | 30,039                                                 |
| Webster . . . . .       | 4,149                                                              | 1.0920                              | 27,629                                                     | 192,555                                                          | 1.0233                   | 37,571                                                 |
| Wheeler . . . . .       | 800                                                                | 0.2105                              | 5,327                                                      | 30,715                                                           | 0.1632                   | 5,993                                                  |
| York . . . . .          | 5,486                                                              | 1.4439                              | 36,532                                                     | 251,949                                                          | 1.3389                   | 49,158                                                 |
| <b>Totals . . . . .</b> | <b>379,926</b>                                                     | <b>100%</b>                         | <b>\$2,530,011</b>                                         | <b>\$18,816,601</b>                                              | <b>100%</b>              | <b>\$3,671,384</b>                                     |

We have not been able to give the problems involved enough study to warrant our making recommendations for legislation on this subject. We have, however, collected some data bearing on the operation of the two plans of dealing with the railroad taxes which have been most frequently discussed before the Commission, namely: (I) The plan of turning the railroad taxes into the general fund of the state treasury; and (II) the plan of collecting the railroad taxes at the state treasury and apportioning them to the counties on the basis of the school population. The results of this study are presented in the table which follows. The table contains also (III) a statement of the effect of substituting the "local expenditures" (to be explained later) for "the value of property" as a basis for determining the amount of state taxes to be raised in each county. The table, therefore, is really a consolidation of three tables brought together for easier comparison.

**Explanation of the Tables.**—It will be best to deal with each of the plans covered by the table in turn:

I. DIVERT THE RAILROAD TAXES TO THE USE OF THE STATE.—This would be a step in the direction of separation. No plan of separation can leave the local governments this source of revenue. But as conditions now stand the railroad taxes added to the state's special sources of revenue would not supply its needs. In 1913, in addition to fees, licenses, earnings, grants and special taxes going into the state treasury, a levy of 7.8 mills for state purposes had to be made upon the general property of the state and there was charged to the counties the sum of \$3,671,384 (column 3). The railroad taxes that year amounted approximately to \$2,530,011. This is the amount paid by the seven principal railway companies on the general railway valuation and the terminal valuation. Additional taxes were paid by most of these companies on property situated outside the right-of-way and assessed locally. These would under any circumstances remain subject to local taxation and are not here considered. The taxes of a few companies running into the state usually on leased tracks are not included. Their omission, however, does not materially affect the result even in Douglas county where they are chiefly paid. The railroad taxes, as will be seen, lack \$1,141,373 of furnishing the state with its necessary funds. If the state had absorbed the railroad taxes it would still have been necessary

to levy this amount on what may be called "local property," i. e. the total valuation (column 1), minus the railroad valuation (column 2). It would have required a levy of 2.75 mills on "local property" to raise the \$1,141,373 (column 8).

How the several counties would be affected by the diversion of the railroad taxes to the state may be illustrated by examining typical cases. Adams county was charged in 1913 \$59,726 on a valuation of \$7,657,232. A part of this valuation represented railroad property, \$980,802, on which the state levy of 7.8 mills yielded a tax of \$7,650 (column 6). The state tax on "local property" was \$59,726 less \$7,650 or \$52,076. But the local governments enjoyed a revenue of \$32,903 from the railroad tax. If the railroad taxes had been enough to supply the state treasury this county by giving up its share of the railroad tax \$32,903 would have been relieved of a state tax on local property of \$52,076, and would have been the gainer by the difference, or \$19,173 (column 7). But the state would have been compelled in 1913 to levy 2.75 mills on the "local property" of the county which would have yielded a revenue to the state of \$18,360. So that county would be the gainer by diverting the railroad taxes to the state by the difference, or \$814 (column 9).

Banner county has no railroad. It was charged \$3,406 state taxes. By diverting the railroad tax, the state levy would be reduced to 2.75 mills and its state taxes would be only \$1,202, a gain by the change of \$2,206.

Blaine county would have lost by the change \$5,235, for it would have lost \$4,136 by its surrender of the railroad tax and its share of the required levy would increase the loss by that amount (\$1,099).

Columns 9 and 10 show the gain or loss which would have resulted in each county by turning the railroad tax to state purposes. The results would be modified but slightly if the Pullman taxes which we recommend for state revenue had been included in the calculation. We have no information as to the amount of express and insurance company taxes paid in each county. The changes which would result from withdrawing these taxes from local use would no doubt in some cases change a loss into a gain but the results would not greatly differ from those shown in the table.

II. SUBSTITUTE "SCHOOL POPULATION" FOR "RAILROAD VALUATION" AS A BASIS FOR APPORTIONING THE RAILROAD TAXES.—This of course is not a plan for separation of sources. It retains the railroad taxes for local use but seeks to distribute their benefits more widely. Advocates of the plan are usually not very definite as to the method of division. The plan is often supported by the argument that the children of a non-railroad district are entitled to a share of the railroad tax in the county. In all fairness this argument must be extended in the interest of those children in counties which have no railroads and the table (II) is constructed on this theory. The four counties having no mileage would have a share of the taxes paid by railroads, presumably for the use of the schools. Column 11 shows the school population of each county, column 12 the percentage of such population, and 13 the share each county would get on this basis of the \$2,530,011 railroad taxes paid in 1913. Adams county now receives for local use \$32,903. Under the proposed plan it would receive \$42,012; Banner county, which has no railroad, would receive \$2,551; Hooker now has \$12,987 for local uses, under the proposed plan it would receive but \$2,977, and so on. Such a plan would give to the several districts within the county its quota based on school population. We present no statistics to show how the districts within the counties would be affected. The combinations of circumstances are so numerous and varied that the change might easily bring as great hardships as it would remove. We are so uncertain of the outcome that we make no recommendation with respect to this plan of dealing with the railroad taxes.

III. MAKE THE APPORTIONMENT OF STATE TAXES TO BE RAISED BY THE COUNTIES ON THE BASIS OF LOCAL EXPENDITURES INSTEAD OF THE BASIS OF VALUATION.—This plan has been proposed as a means primarily of avoiding the evils of under-valuation, but it is also supported on the ground that the expenditures made by the local governments are a better test of their ability to support the state than the value of property within their borders. The plan has been urged by separationists to meet the objection that any plan of separation is likely to produce too much or too little for the state's needs. Very well, it is said, if more comes to the state than it requires, turn it back to the local governments on the basis of the amount they raise for them-

selves; if too little, call on the local governments for contributions on the same basis. This, it is argued, would remove the temptation to under-valuation and furnish a fairer basis than even the best of valuations would for apportioning expenses.

We have pointed out elsewhere that to adopt any arrangement that would make a good assessment of indifference to the state would be a step in the wrong direction, and we now have to say that we are not convinced that local expenditures constitute any fairer test of ability of a community than the value of property. If every government spent just what it was able to spend and no more, the argument would have more weight. But every one is acquainted with communities which voluntarily take upon themselves heavy burdens for local purposes, which, under the proposed plan, would subject them also to an unduly heavy tax for the support of the state as compared with their more parsimonious neighbors. Where attempts have been made to act on this principle, as in Oregon, it was found necessary to modify it by excluding one expenditure after another, and in that state the principle was finally abandoned.

While not recommending this method of apportioning the tax burden upon the local governments, we present in part III of the table some data bearing upon its operation. We have no information as to the expenditures of the local government and were compelled to fall back upon the taxes charged for local purposes, for the counties and other local governments, as a basis of computation. These fairly, though not exactly, serve as a measure of expenditure. Our statistics of taxes charged do not show the amount raised for the various divisions of government, so that columns 14, 15 and 16 show respectively the total of local taxes charged for all governmental divisions in each county, the per cent of the total, and the amount of the state tax of 1913 if it had been apportioned on the basis of these taxes representing roughly the expenditures. Thus Adams county was charged \$59,726; under the proposed plan it would have paid \$61,509. Douglas was charged \$354,794; under the proposed plan it would have paid \$601,862. York was charged \$70,803; under the proposed plan it would have paid only \$49,158.

**A Feasible Plan of Separation.**—If deemed desirable to adopt a plan of separation it could be accomplished by diverting to the state's use the following taxes: Those arising from the

express, Pullman, telegraph, insurance and the railroad companies, and from the proposed flat rate on intangibles. We recommend for reasons set forth in discussing the taxation of the first four classes of corporations that the revenue derived from them in any case be turned into the state treasury. As pointed out above there are ample grounds in the nature of the railroad taxes for turning them into the state treasury and we are deterred from recommending it only because of the disturbance it would create in the finances of many local governments. There seems no especial reason for turning the proposed tax on intangibles to the use of the state except that more revenue is needed and that this tax would probably supply it.

## CHAPTER VIII

## PROBLEMS OF ADMINISTRATION

**Conditions Prior to 1903.**—The revision of the revenue law in 1903 was confined chiefly to improvements in administration. The most important change made at that time was the creation of the office of county assessor. Previously assessments had been made by a precinct, township, city or village assessor, as the case might be. These officers were elected annually and were empowered to appoint deputies to assist in the work. The experience under this plan was not different from that in other states having widely decentralized authority in assessment. Each assessor was in a very real way a law unto himself. He was formally responsible, it is true, to local boards of review, but practically he exercised authority with a free hand. The result was too often effective brow-beating by the strong tax-payer, a weak yielding on the part of the assessor to political and personal influences, under-valuation, evasion, and on the whole an intolerable inequality in the assessments. Under such a system one incompetent or wilfully unfair assessor could debase not only his own assessment but that of the whole county. His action it is true was not final. In counties having township organization the town board and the assessor sitting as a board of review had power to raise and lower assessments, and thus served as a check upon carelessness and dishonesty, and the county board could hear appeals from the town board, and in counties under the supervisor system take up original complaints; but in spite of these boards of review the assessor did his work with practically a free hand.

**The Reform of 1903; the County Assessor System.**—The legislature of 1903 seems to have been impressed with the fact, now generally recognized, that unless the original assessment is fairly made, inequality in bearing the tax burden is certain. As one commission has said: "The germ of inequitable taxation finds its origin in the local assessment. Every subsequent step in its progress to a completed tax roll nourishes its feverish growth until it develops into a widespread disease poison-

ing the whole system of taxation." To depend upon equalization as a remedy for a poor assessment, except in a few cases, is to lean on a broken reed. The great reform of 1903 was in the direction of improving the original assessment. The county assessor was made the responsible supervisor of assessments for the whole county. The county board determined the number of assistants needed, and these with the consent of the county board were appointed by the county assessor as his "deputies" and held office at his pleasure. The work of the deputies was made subject to the supervision and direction of the assessor. It was his duty to require uniformity in valuations; to examine the schedules and the rolls to see that they were correct; to alter assessments made by deputies so that they should "conform to law." He was also required to examine the records in the various county offices for information that would lead to the proper listing of mortgages, liens, judgments, and other property of those under guardianship.

**The State Board of Equalization.**—Important changes were made in the State Board of Equalization. It had been composed of the governor, auditor of public accounts, and treasurer. It was enlarged by adding to it the secretary of state and the commissioner of public lands and buildings and provision was for the first time made for a paid secretary. The new law changed the name of the board to its present form—the "State Board of Equalization of Assessment." Its work of equalization was made more effective. Prior to 1903 equalization could be effected only "by varying the rate of taxation on the different counties" in case valuations had not been made "with reasonable uniformity." The new law required equalization by the more direct method of changing the valuations, but this could be done only by raising or lowering the whole valuation of the county. This crude arrangement was modified in 1905 by giving the power to raise or lower the values of particular kinds of property.

The authority of the Board was somewhat increased in the matter of assessments. The method of valuing railroad and car companies was more fully specified and the information to be given by the companies was required in greater detail with the purpose apparently of reaching intangible values. Larger supervisory power was given over the revenue system. The Board is

required to "provide a uniform method of keeping all books relating to taxation in the several counties of the state. It shall formulate and send to the county clerk of each county all necessary forms to be used in the listing, assessment and return of property, and in the levy and collection of taxes. It shall have general direction and control of the county assessors in the performance of their duties, and shall direct the same." The county assessor is specifically required to obey the instructions sent out by the state board.

Here was a sufficient grant of authority, it would seem, for an aggressive board to exercise a powerful control over the machinery of assessment. But the board from its composition could hardly be expected to be aggressive, and where it has shown such a spirit the courts and the legislature have placed a check upon it. Thus in 1906 the board ordered a county assessor to place on the rolls certain property which had been omitted. The order was obeyed, but the county board of equalization, upon hearing, removed the property, whereupon the governor asked the supreme court to issue an order for its restoration to the assessment roll. The court held that the board was not an assessing body, that it had nothing to do with individual assessments directly and that it could not "direct the county assessor as to what valuation he shall put upon property and so accomplish indirectly what the board cannot do directly." *State v. Drexel*, 75 Neb. 751, 754.

The law requires the board to equalize the assessments as between counties so "as to make the same conform to law and for that purpose shall have the power to increase or decrease the assessed valuation of any county." The supreme court held in 1904 that while the board could raise the assessment of any county as an incident to equalization, it could not raise the valuations for the purpose of increasing the aggregate assessment. *Hacker v. Howe*, 73 Neb., 385. In 1909, after a period of political agitation over the matter, the legislature unfortunately amended the law by forbidding the board, in a half-hearted way, to increase the aggregate assessment beyond the amount returned by the county assessors, unless it shall appear "that a just, equitable and legal assessment cannot otherwise be made." The purpose of the amendment was to place a check upon the Board, though

the way still lies open for it to do within the law, practically all it could before the amendment was adopted.

**Effect of the Act of 1903.**—Here for the first time in 1903 was provided a tolerably effective organization for making an assessment. How efficient it was is shown by the returns for 1904, the first year the new law was in operation. The old law had required assessments to be made at the full value of the property. In 1903, the last year under the old order the assessed valuation for the state was \$188,458,379. While the new law provided that property should be assessed at .20 per cent of its "actual value," the grand assessment roll in 1904 amounted to \$294, 779,245, showing an "actual value" of \$1,273,896,225. The assessed value of railroad property was raised in the first year from \$27,284,946 on a supposed full valuation, to \$46,082,853 on a one-fifth valuation. The grand assessment roll has continued to increase during the past decade, though probably not as fast as wealth has increased till it stood in 1913 at \$470,690,414 representing an "actual value" of \$2,353,452,070. What has been accomplished by way of equalizing the tax burden cannot of course be measured.

**Devitalization of the Law; the County Assessor.**—During the decade the law has been in force the tendency in legislation has been to weaken rather than strengthen the administration. The office of county assessor has been attacked in a variety of ways:

1. The legislature of 1909 took the backward step of making the local assessors elective once more. They are no longer "deputies" but "precinct assessors," elected for a term of two years, and ineligible to serve more than two terms in succession. Admitting for the moment that as good men are secured by election as by appointment, there is yet this to be said against elective assessors: (1) They are subject to "local influence" to a greater extent than appointed officers, and (2) are less amenable to a central authority. The legislature of 1911 corrected the evil in some degree by providing that in counties having cities of more than 4,000 population the people of such cities shall elect on a general ticket the number of assessors decided upon by the county board and the county assessor to be necessary, and that they shall be assigned by the county assessor to their respective

districts. At the session of 1913 the original provision for the appointment of deputies by the county assessor was restored in cities of over 4,000 population.

2. The legislature of 1909 crippled the authority of the county assessor in another way. The deputies had, prior to 1909, been required to turn in their personal property schedules as fast as made out and these were entered upon the roll by the county assessor. This gave the assessor the means of real supervision intended by the law; but an amendment in 1909 permitted the local assessor to make up the roll and keep it and all schedules in his possession till the assessments were all made. This left no possibility for supervision or even for a proper inspection of the books before they had to be turned over to the county board of equalization. This destructive provision was modified in 1911 and the law now requires the precinct assessor to turn in his schedules "from time to time" to the county assessor who is to make up the books in his office. The times for returning schedules, however, is still discretionary with the precinct assessor.

3. The legislature of 1911 made another breach in the county assessor system by giving the voters of any county the option at any general election of turning the duties of assessor over to the county clerk. Thus far twelve counties have dispensed with the office and it seems quite likely, unless checked, that other counties will do the same. As far as the movement to supplant the county assessor grows out of a demand for true economy it is worthy of commendation. Indeed, there is much to say in favor of combining all those functions of a financial character in one county finance officer. Such a consolidation of county officers would go far toward promoting order in the county finances. It would make possible the choice of a finance officer of large experience, ensure the better utilization of the clerical force in the county offices, and probably a more economical administration.

But we do not think the change authorized by the amendment of 1911 has been in the interest of economy. We have not been able to secure complete information as to the saving effected in the counties which have made the change and the fact that the change was in most cases made in 1911 or 1912, thus involving

the year when real estate was assessed, introduces a disturbing factor. On their face, however, the figures for the counties for which we have full returns show a saving ranging from \$91.00 to \$896, and the average saving for these counties was \$373.00 a year. The average number of precinct assessors in the counties reporting was sixteen. It would be in the interest of true economy and efficiency to dispense with the precinct assessors and let the county assessor make the valuations. In a Missouri county of 35,000 population where 10,000 personal schedules are required and 17000 parcels of real estate are assessed, representing property worth \$38,000,000, a county assessor made the assessment in 1914 with the aid of one field assistant and two clerks, the latter employed for two months only. Under a true county assessor system the wholly inadequate per diem now paid to precinct assessors could be turned toward the payment of an officer who would be at his task throughout the year.

Thus far we have assumed that the county clerk could supervise assessments as well as an assessor. This will rarely be the case. The theory upon which the office of county assessor rests is that it will by its greater efficiency in getting property on the schedule and securing its proper valuation pay for its upkeep. In many cases this is done many times over. One office which took especial care to make a complete assessment in 1914 found enough property after the books had been sent to the county board to yield taxes more than sufficient to pay the total annual expense of the office. This kind of work is hardly to be expected of a county clerk, usually absorbed in the duties of his own office. It seems clear, therefore, that much of the hostility to the county assessor system has not had the desire for economy or efficiency for its motive. In many quarters it is opposed because it is too efficient, because of its power to hold precinct assessors to the performance of their duties. We cannot, therefore, but regard the law permitting the abolition of the office of county assessor as a backward step. True reform of administration lies in restoring the office and strengthening it.

**Recommendations.**—The law of 1903 created the office of supervisor of assessments rather than that of county assessor. We recommend that he be made assessor in fact as well as in name of all the property subject to local taxation except such forms as are assessed by the state board or the proposed tax

commission. We believe that it would be in the interest of good administration to have the office filled by appointment rather than by election, the assessor to serve without limit of term, but subject to removal for cause.

The position is a purely administrative one, and ought to be removed as far as possible from political influence. There is no more reason that the people of the county should elect the county assessor than that the people of a city should elect the city engineer. We recognize, however, the deep-seated popular prejudice that exists against giving up the right of election, and recommend that the office be filled as now by election for a term of four years; that the assessor be authorized to appoint such deputies as may be required; that such assessments as are made by the deputies shall be made in the name of the assessor and subject to change by him. The county assessor should be subject to removal for cause by the county board, and also by the state tax commission. If the county assessor makes his valuation of real property in accordance with modern practices and is diligent in collecting data which will assist him in making a proper personal assessment, there need be no objection to the office on the ground that it has no duties except during two months in the year when the schedules are being made up. There will be sufficient employment throughout the year

#### **Central Control of Local Assessments in Other States.**

This recommendation stops short of what is being done in states where a serious effort is being made to secure efficient machinery of assessment. Bills have been introduced in the legislatures of Kansas and Minnesota for making the county assessor appointive by a central authority. In Ohio this has been accomplished. By an act of 1913 each county was made an assessment district. In counties of less than 65,000 population one "deputy state tax commissioner" to be known as the district assessor is appointed by the governor, to serve without term, but subject to removal by the state tax commission, with the consent of the governor. In the larger counties two such district assessors are appointed. The district assessor has power to appoint such number of deputies and assistants as may be prescribed by the State Tax Commission, and in his name all assessments are made. The old system of equalization by a county board elected for other purposes and

charged with other duties is abolished and a "Board of Complaints," composed of three members, is appointed annually by the state Tax Commission with the consent of the governor, to hear complaints and review assessments. This board has power to increase or decrease valuations on complaint or on its own initiative, but appeal may be taken from its decisions to the state Tax Commission. The commission prescribes all forms used by the district assessor and the Board of Complaints and their work is subject to its supervision at every turn.

In Wisconsin the old elective assessor system has been abolished and the duties formerly performed by them are now performed by the state Tax Commission or by the income-tax assessors appointed by it. In view of these developments the recommendations we make for strengthening the office of county assessor must be regarded as very moderate.

### **A Permanent Tax Commission**

Since 1900 the number of states having a permanent tax commissioner or a board of commissioners charged with the duty of administering the tax laws and studying their operation has increased from half a dozen till now more than half the states have such a body. So remarkable a change in all sections of the country must be due to some common cause. We have no doubt that this cause is found in the increasing tax burden of which complaint is well nigh universal, and in the desire to find some way of adjusting that burden so as to distribute its weight more equitably. The old boards of equalization, which the new boards are superseding, had very limited powers and these were exercised by men brought together temporarily for that purpose, often withdrawn for the time being from other public duties to perform a service for which they had no special fitness. These old boards, of which our own is an example, no longer meet the demands of efficient administration. Moreover it has come to be recognized that the most vital part of the taxing machinery is that which has to do with the original assessments and that to secure equity in them effective centralized control is necessary.

We have become thoroughly convinced that no important improvement in the tax system of this state can be made without

providing for a permanent tax commission. There are three main functions for such a commission:

I. TO ASSESS DIRECTLY A NUMBER OF CLASSES OF PROPERTY FOR VALUING WHICH THE LOCAL ASSESSORS HAVE INSUFFICIENT INFORMATION.—For many years the need of a central body to value railroad property has been recognized in this state as elsewhere. But there is equal need for assessing telegraph, telephone and express companies also on the unit plan. In fact, all public service corporations should be valued by a state board even though the operations of such corporations all lie within one taxing jurisdiction. The accurate valuation of such property requires skill and special knowledge which the county assessor's office does not possess. The same may be said of bank shares. The constitution requires them to be assessed according to their value and this value depends on a variety of conditions which can be best dealt with by a central body, not only because of wider knowledge and experience, but because the banks will the more willingly disclose the data necessary for making an accurate valuation to a state, than to a local officer. Again, if we are to reach the intangible values of corporations, it must be reached through a state board. Likewise if our recommendation for a central administration of the inheritance tax is acted upon favorably a state board will be the natural authority to administer it, and if we are to look forward to the enactment of an income tax law, a commission must be provided for to administer it.

II. IN THE SECOND PLACE A STATE BOARD IS NEEDED TO SUPERVISE THE ASSESSMENT OF ALL PROPERTY ASSESSED LOCALLY AND TO EQUALIZE THE ASSESSMENTS AS BETWEEN COUNTIES.—It cannot be too strongly urged that the beginning of tax reforms lie in improving the original assessment. We believe that the changes proposed in the powers of the county assessor will prove strongly conducive to that end. Relieve that officer from the necessity of attempting impossible tasks, such as finding intangibles subject to confiscatory rates and assessing the value of franchises; then make him the responsible assessing officer of the county with power not only to supervise the work of his deputies, but also to substitute his own valuations for theirs, and a great stride in advance will have been made. The law now recognizes the need of equalizing valuations among the ninety-

three counties of the state, but *it makes no provision for effective supervision of the assessments as they are being made.* State supervision over the counties is as essential as county supervision is over local assessors. There is no way of securing equality among different counties and as between different classes of property, except through central control. Take the assessment of real estate, by far the most important item in the grand assessment roll, as an example of the inequalities that exist after equalization by both the county and the state boards. The tables (p. 64) show great undervaluation and at very unequal rates in different counties. Suppose each county assessor to have adequate power to keep up the valuations in his county, he is not likely to do so unless he is certain the same will be done in other counties. At present he is left to guess on the rate at which other assessors will undervalue. Thus in 1914, officials from certain counties who appeared before the State Board of Equalization and Assessment, clearly showed that they had assumed the State Board's functions in equalizing. It should be one of the important functions of a permanent tax commission to collect accurate information on the subject of relative values to guide the assessors and aid it in its work as an equalizing board. Such information would be supplied by complete compilations of sales in all parts of the state, the records of the probate courts, the maps of the topographical and soil surveys, as fast as completed, and from such other sources as the board could utilize. The board's duty should not stop with supplying information. It should have the power to supervise the assessment. We have discussed elsewhere in this report the various devices coming into use for aiding in making an accurate assessment, such as land maps, tax maps, the use of transfer records, publicity of assessments, and the utilization of expert knowledge in the community in establishing unit values. These are aids which cannot safely be prescribed by law. They are of the nature of office methods, details of administration and the only practicable way of securing their general use is through regulations established and enforced by some common authority.

The present Board of Equalization and Assessment was not designed for such work. It has not the accurate information needed for an aggressive policy in using the power it clearly has. It is limited in its authority to raise the total assessment beyond

the aggregate fixed by the county assessors. In equalizing, therefore, it must frequently reduce the value of items in counties where they are admittedly listed at only a fraction of their true value. In this way the board is crippled in the assessment of property lying wholly within its jurisdiction. Year after year the representatives of the railways appear before the board and argue that the board should violate their oath of office by reducing the true value found for the railway property of the state to conform to the under-valuation of real property in counties through which the railways pass. In Wisconsin when the state tax commission undertook to value railway property, it met the same situation, and it was found necessary in order that equality might be preserved between railway and other property, to secure the right to make its own valuations of property throughout the state. The need of a central supervision over the assessment of all property in this state is no less imperative.

III. A PERMANENT TAX COMMISSION IS NEEDED TO STUDY THE OPERATION OF THE REVENUE LAWS AND TO GIVE PUBLICITY TO THE RESULTS OF TAX LEGISLATION.—There is at present no adequate provision for collecting information about the yield of the revenue system. For a classification of the revenues of the state and local governments, the Commission has had to rely upon United States Census figures now a dozen years old. If one wants to know the yield of the railroad taxes, he must again rely upon statistics supplied by the federal government or upon the railways. No one knows what taxes are paid in the state by the express companies, or the insurance companies, or the banks. The only way to find the yield of the inheritance tax is to write to each county treasurer for the information. Until recently it was no one's duty to ascertain the amount of ad valorem taxes levied in the state or to compute the average rate of taxation. These are items of information every citizen has a right to have made available for him. This is in line with a resolution adopted by the National Tax Association in "that provision should be made by every state for the collection and publication of statistics of assessment, taxes and other public revenue."

There is obvious need of a permanent board also to study the operation of the revenue law and recommend such modifications as experience suggests. Experiments outside the state are

constantly being made, worthy of careful investigation and an immense literature is springing up which requires consideration from those who direct the revenue policy of the state. The office of the tax commission should be a clearing-house for all sorts of information not only about our own revenue system, but about the systems of other states and countries.

**Recommendations.**—Our conclusion, therefore, is that a permanent tax commission should be created with large powers. Such a commission should be created whether the tax amendment is adopted or not. Strong central supervision is needed, if for no other reason, to formulate and enforce rules and regulations for the assessment of the real estate of the commonwealth. This item alone now amounts to more than \$2,000,000,000. It is assessed in the most erratic and unequal way. Personal property taxes may in time be swept away, but the land taxes will continue and probably become of increasing importance. It is high time the valuation of this property should be made with as near an approach to scientific accuracy as possible. The most direct path to that end is through the creation of effective centralized administrative control.

**The Form of the Commission.**—Twenty-seven states now have permanent tax commissions. Of these, six, mostly in New England, have the single commissioner system,<sup>1</sup> three are composed of five members, part of whom are ex-officio members, and seventeen consist of three members, usually appointed by the governor for a term of six or eight years. The best commissions are placed in a position of independence and are freed as far as possible from political influence. Their work is in no sense political. It is purely administrative and judicial in character. Their function is to execute the laws made by the legislature.

If the constitution permitted the creation of such a commission, we should have no hesitation in recommending one composed of three members appointed by the governor for a term of

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<sup>1</sup> The single commissioner system is found in Connecticut, Massachusetts, Maryland, Vermont, West Virginia and Wyoming; the five member commissions are in Indiana, New Jersey and Oregon; those having three members are in Alabama, Arizona, Arkansas, Colorado, Kansas, Maine, Michigan, Minnesota, New Hampshire, New York, North Carolina, North Dakota, Ohio, Rhode Island, Texas, Washington, and Wisconsin.

six years, and clothed with large powers. But the constitution, after establishing certain state officers, provides as follows:

“No other executive state officer shall be continued or created, and the duties now devolving upon officers not provided for by this constitution shall be performed by the officers herein created.”

Under these restrictions it is probable that the legislature must be confined to a choice of plans all of which are more or less objectionable.

1. It has been suggested that the powers of the State Board of Equalization be enlarged so as to give it the authority of the modern tax commission. We believe that such a plan would be fatal to any real progress in tax reform. The members of that board are political officers, chosen for short terms, and with little or no regard to their interest in matters of taxation. A board so constituted, however high the merits of the individuals composing it, cannot be expected to acquire that intimate knowledge of the problems of taxation demanded of a tax commission. The real work of such a body would of necessity have to be done by subordinates not directly accountable to the people. The board itself under the conditions could not be held responsible for the acts of its subordinates; and even if it could that responsibility would be so divided as to be of little value as a means of control.

2. Under the circumstances we recommend the general form of commission provided for in House Roll No. 602 of the session of 1911. This bill provided for the creation of a tax commission to be composed of the governor with the title of Tax Commissioner, a deputy commissioner and two assistants. This plan should be modified by providing for three deputy commissioners of equal rank. They should be appointed for terms of six years and made removable only for cause, thus ensuring permanence in the membership. This would tend to center responsibility upon the governor and would work in admirably with the recommendation of the Joint Committee on Legislative Procedure for imposing upon the governor the duty of preparing and placing before the legislature the estimates of expenditures and income for the state government. The powers of such a commission should be as broad and plenary as those of the strong commissions in other states.

The active members on such a commission should be selected for their special fitness for the particular duties which would devolve upon them. They should give their full time to the work of the commission and should not be hampered with other official duties or connected with other branches of the public service. They should be men of such standing that they may assume all the responsibility which would naturally go with the position of commissioners forming an independent board.

**The Expense.**—The maintenance of a commission will involve some additional expense; just how much will depend upon the nature of the work assigned to it. The appropriations for the Minnesota commission are from \$30,000 to \$35,000 a year. The expenses of the Ohio commission in 1912 amounted to \$59,000 and on account of an increase of duties it asked for \$71,000 for the next year. The Kansas commission requires \$16,700 per year, and North Dakota \$23,000. The Wisconsin commission cost \$25,500 in 1903, double that amount by 1911 and since the passage of the income tax law, the cost has risen to more than \$150,000 a year. It is probable that an initial appropriation of \$20,000 would be required for a commission in Nebraska and as the duties of the board is increased this would have to be increased to perhaps \$35,000 or \$40,000 a year.

A considerable part of this could be saved by abolishing the State Board of Equalization and turning the sums appropriated for its use to the use of the Commission, and by placing the administration of the corporation tax in the hands of the commission and dispensing with the clerical force in the office of the Secretary of State now employed in administering the corporation occupation tax. But the expense of a commission that properly performs its functions will be paid many times over by securing the proper assessment of property which would otherwise escape taxation. This does not mean that the purpose of a tax commission is to increase taxes. The amount of taxes is determined by the legislative bodies authorizing expenditures. The assessing machinery, of which the Commission would be a part has only to do with enforcing the rules for apportioning the burden of taxes among those who have to pay them. We believe that no truer economy could be practiced by the state than in making liberal expenditures for such a purpose.

## CHAPTER IX

## INCOME TAXATION

**Growing Interest in Income Taxation.**—The successful operation of the income tax in European countries for many years has long attracted the attention of students of taxation in the United States. England has had an income tax in continuous operation since 1842 which now yields one hundred eighty or one hundred ninety million dollars annually, or nearly one quarter of the imperial revenue, and more than a quarter of the tax revenue. Italy, Austria, and nearly all the German states make use of this method of taxation. The federal government resorted to it during the Civil War, was kept from employing it in 1894 only by a supreme court decision declaring the tax a direct one, and since the adoption of the sixteenth amendment, has once more made it a part of the federal revenue system. Moreover about twenty states at one time or another have levied taxes on incomes though generally with such poor success that till recently it has been generally discountenanced as a state tax. In the hearings before the Commission it has had numerous advocates as a part of the Nebraska revenue system. There seems to be a very general sentiment in favor of an income tax.

**Why an Income Tax is Desirable.**—The merits of the income tax are unquestioned. Among peoples well advanced industrially it is an essential aid in bringing about an equitable apportionment of the tax burden. (1) As a test of ability it is a fairer basis than the value of property upon which the property tax rests for the reasons pointed out elsewhere that all kinds of property are not equally productive and not equally indicative of the ability of the citizen to pay taxes. (2) In the second place it is needed to reach that considerable class of persons in each community who enjoy an income out of all proportion to the property owned. And in the third place it is desirable as a substitute for the troublesome personal property tax.

That no greater progress has been made with this form of taxation in the American states is not due to any defect in the

theory of the tax but to the practical difficulties inherent in its administration and to defects in administrative machinery that that can be removed. As before stated a score of states have had experience with this form of tax with such uniformly poor success that it had become axiomatic in discussions of fiscal policy that it was an impossible tax for the states to administer. Only the long arm of the federal government could be relied upon to reach reluctant taxpayers. In 1911 the state of Wisconsin after long consideration of the measure passed an income tax law that has to all appearances worked successfully. That experience encourages the confident belief that other states may, by providing adequate administrative machinery and manning it with the right kind of officers, also adopt this highly desirable form of tax. We present herewith the main features of the Wisconsin law.

The law applies to all residents of the state and to non-residents deriving an income from sources having a situs within the state. The general rule is followed in determining taxable income, that income from property which is taxable at its situs also follows the situs of the property, and income derived from property taxable at the domicile of the owner also follows the residence of the recipient of the income. Thus a resident is not taxable on income from rents or royalties arising in another state, but he is taxable on that derived from securities regardless of their origin; while rents and royalties arising in Wisconsin are taxable to non-residents.

**Exemptions and Deductions.**—In the case of single persons an exemption of \$800 is allowed; in case of husband and wife \$1,200 is exempt; and for each child under eighteen years of age and other dependent persons, an additional exemption of \$200 is allowed. Individuals are allowed deductions from their gross incomes, such as necessary expenses paid, losses and depreciation, interest on indebtedness, pensions received from the United States, certain taxes, inheritances in case a tax thereon has been paid to the state, and life insurance up to \$10,000.

Corporations are not allowed any exemption, but their net income is determined in much the same way as that of individuals. It should be said by the way that the railroads and other public service corporations and the insurance companies do not come under the income tax law.

**Rates.**—The rates are progressive. For individuals they begin at 1 per cent on the first \$1,000 of taxable income and gradually increase on each \$1,000 up to and including the 13th which taxes a 6 per cent rate and the same rate applies to additional income.

The rate for the corporations starts at 2 per cent and rises by more abrupt grades to 6 per cent on the 7th thousand of taxable income. The original law had a complicated system of rates based on the dividends paid, a plan that no doubt has theoretical justification, but, because of practical difficulties, was given up in 1913 for the simple scale described above.

**Administration of the Law.**—No part of the law was worked out with more painstaking care than the administrative provisions. It was at this point that other states had failed in such legislation and it was fully realized that failure would come to the Wisconsin law unless it should provide carefully designed machinery for its enforcement. The state was fortunate in having an efficient commission with strong powers, some of the members of which had served continuously since its organization in 1901. To this commission, and not to local authorities, was entrusted the enforcement of the law. The sixty-nine counties of the state are divided into forty-one districts and an income tax assessor is appointed for each district by the tax commission for a term of three years. These assessors must be residents of the state but not necessarily of the district where they serve, and they may be transferred or removed by the commission. The income tax assessors assess individuals, the commission the corporations. An appeal lies from the assessors to a Board of Review composed of three members appointed by the tax commission in each county, and from that body to the tax commission. Adequate penalties are provided for neglect to make returns and for making false returns, both for individuals and corporations. The old office of county supervisor of assessment is abolished and the duties of that office devolve upon the appointive income tax assessors.

**Personal Property Practically Exempted.**—The law specifically exempts certain kinds of property formerly taxed. Intangibles are exempt, farm and garden tools and machinery, household goods including musical instruments, and personal ornaments. Live stock, merchants and manufacturers' goods and wares still remain subject to taxation; but it is provided that any

person who has paid a tax assessed on his personal property may offset such tax against his income tax if one is charged against him. Thus one pays a tax on his personal property only in case he is not an income taxpayer.

**Operation of the Law.**—The details of the operation of this law are not yet published except for the first year. The results for the first year were better than had been predicted. The yield was larger than had been expected. The total income tax charged was \$3,500,000. But offsets allowed for personal property taxes paid and for other reasons were expected to amount to 35 or 40 per cent of this amount leaving about \$2,200,000 as the revenue from the income tax. This is more than double the tax secured in 1911 from the personal property exempted under the new law. The tax charged in 1913 was \$4,091,000 from which offsets will be allowed as indicated above. We have no data as to actual collections but it is understood that some large amounts have been withheld pending litigation. There can, however, be no doubt of the success of the law from the point of view of securing a revenue.

The law has proven essentially an urban tax. In the first year over 40 per cent of the entire tax was charged in Milwaukee county and more than 80 per cent in the seventeen counties having the larger cities of the state, while 20 per cent was charged in the remaining 54 counties containing about 50 per cent of the population. The urban character of the tax is shown in another way by the returns from Dane county in which the capital is located. In the county there are six times as many farmers as there are public employees "yet only sixty-eight farmers in Dane county as contrasted with six hundred twenty-four public employees and professors will pay an income tax; and the farmers will pay an income tax of \$877.35, while the public officials, professors and teachers will pay \$7,224.44, more than eight times as much."

The tax seems to have reached the corporations effectively. The relative assessment of corporations is shown in the following table:

|                                                     | 1912              | 1913              |
|-----------------------------------------------------|-------------------|-------------------|
| Tax charged against corporation . . . . .           | \$2,392,454       | \$2,793,605       |
| Tax charged against individuals and firms . . . . . | 1,108,707         | 1,297,484         |
|                                                     | <hr/> \$3,501,161 | <hr/> \$4,091,089 |

The average rate levied on corporations was 5.4 per cent; the average for individuals and firms was slightly less than 2 per cent. It is notable that out of the 2,333,000 population of the state only 46,582 were assessed and a considerable number of these doubtless offset the whole of their income tax with personal property tax receipts. In Milwaukee county forty persons in the one thousand were assessed; in Dane county thirty-six; while in more than half a dozen less than five persons per thousand of population were assessed. The average for the state in 1912 was 19.96 per thousand of the population; that is, slightly less than 2 per cent of the population got upon the personal income tax list.

**Distribution of the Tax.**—The state retains 10 per cent of the proceeds of the tax, 20 per cent goes to the county, and 70 per cent to the local district in which collected. Of the estimated net yield of \$2,200,000 for 1912:

|                                                       |             |
|-------------------------------------------------------|-------------|
| The share of the state would be . . . . .             | \$220,000   |
| The share of the counties would be . . . . .          | 440,000     |
| The share of the towns, cities and villages . . . . . | 1,540,000   |
|                                                       | <hr/>       |
|                                                       | \$2,200,000 |

**Is the Income Tax Inquisitorial?**—This question is frankly discussed by the Wisconsin Commission's Report for 1912. It says:

"No tax measured by ability to pay can be administered without asking searching questions. The more thoroughly these questions are asked the more certain honest people can be that the tax dodgers are paying their fair share. If taxation is confined to visible things alone, the assessor can get along without asking questions; but such procedure would exempt from taxation many of the wealthiest and ablest members of the community. When an assessor is trying to ascertain a man's income or the value of his personal property, he must ask either the man himself or the man's neighbors. The second method is obnoxious. The open way is to put the taxpayer himself on record. This procedure is the honest man's only protection against the tax dodger.

The old personal property tax would have been much more inquisitorial than the income tax if it had been enforced. It failed largely because questions were not asked; and its failure resulted in great financial burdens being shifted from the shoulders of certain classes of the community onto the shoulders of other classes far less able to bear them. The income tax will be a farce if searching questions are not asked and answers insisted upon."

Another objection to an income tax has always been that it requires taxpayers to reveal information hurtful to their business interests. This objection is held to be unfounded. Nothing is revealed by the records not already known to the credit agencies and to the business world. "A man's taxable income and the tax thereon are matters of public record, but that is all. Nothing is known of his exemptions, or his untaxable income, or of his income derived from business transacted without the state, or of his income derived from stocks and bonds taxed directly to the corporations from which received."

### **Does the Federal Law Preclude a State Tax on Income?**

—It has been held by some citizens appearing before the Commission that since Congress has now entered the field of income taxation, the states will be precluded from entering it. We do not think so. It has been a mooted question whether the states or the federal government have greater natural advantages in the administration of such a law. Under equally efficient administration the advantages probably lie with the states, and there is no reason why the state should not have as good machinery and as efficient officers as the federal government if they want them. The high exemption now allowed under the federal law, \$3,000 or \$4,000 according to marital condition, leaves room in an agricultural state like Nebraska for the operation of an income tax.

Information is not available as to the number of income taxpayers in the state under the federal law. But the Preliminary Report of the Commissioner of Internal Revenue for the fiscal year ending July 30, 1914, shows that for the ten months for which the federal tax was charged the corporations of Nebraska paid \$168,084.27 and individuals paid \$76,857.75, a total of \$244,942.02. This is the equivalent of an annual tax of \$293,930.-40. Some indication of what could be expected from a state income tax can be gained by comparing the federal tax collected in Wisconsin and the state income tax. The receipts of the federal tax reduced to an annual basis were \$862,114 as against \$3,501,000 assessed in 1912 under the state law, and \$2,200,000 estimated net yield, after deduction of personal property taxes, etc. If the same relations between the federal and state yield as here indicated should prevail in Nebraska a revenue of something like a million dollars could be counted upon. It must be borne

in mind, however, that the federal figures show actual receipts, and the Wisconsin figures show only the tax assessed.

**Conclusions and Recommendations.**—While believing thoroughly in the principles of the income tax and that such a tax should in time be made a part of the revenue system of Nebraska, this Commission recommends that no law for taxing incomes be enacted by the legislature of 1915. While the law in Wisconsin has proven a notable success, many obstacles have had to be met and they are by no means all overcome. The first year's experience led to many important amendments in 1913 and others will doubtless be found necessary by the next legislature. The success that has been attained in that state has been due to the highly efficient administration of the law. This efficiency could not have been secured but for the centralized administration provided by law. A similar law could of course be readily enacted in Nebraska and probably must be before a success can be attained in taxing incomes; but the passing of a law is not enough. The chief factor in the success of Wisconsin has been the way in which the taxing machinery has been manned. The commission itself has been in existence for fourteen years and has long had the confidence of the people of the state so that the large powers of appointment and supervision asked for in 1911 could be granted in the confident belief that they would be used only in the public interest. The commission which was to be charged with the administration of the law gave several years to the study of every detail of the statute which it was to administer.

In our opinion it would be unwise for Nebraska to undertake so delicate a task as that of administering an income tax law without going through some such period of preparation for it as Wisconsin has gone through. If it is not understood from the beginning that it will be fairly and fully administered by capable officials, an income tax would become as lamentable a failure as the taxation of intangible property it is intended to supersede. Until the state has built up an efficient central control through a permanent commission and that commission by its integrity and its efficiency has established itself in the confidence of the people, action looking to an income tax ought to be deferred.

## CHAPTER X

## THE INHERITANCE TAX LAW

In January, 1897, Governor Silas A. Holcomb recommended in his message to the legislature the passage of an inheritance tax law, but it was not until 1901 that the law was finally enacted. It has become an established feature of our revenue system. This law was adopted and worked over from the Illinois law, which at that time had the advantage of having been construed and upheld not only by the Supreme Court of Illinois, but also by the Supreme Court of the United States (170 U. S. 283). Our law has always been regarded as founded upon a solid constitutional basis for the reason that prior to its enactment the Supreme Court of the United States had upheld the Illinois law as constitutional legislation, had established the right of classification and gradation and had placed the matter beyond argument as to it being an invasion of property rights by holding that an inheritance tax is a tax upon the right of succession and not upon property itself. It must be conceded that inheritance taxes have come to stay so far as the great majority of states of the Union are concerned. Ross on "Inheritance Taxation," 1912 edition, cites complete statutes in thirty-nine of the states providing for taxes upon inheritances and it is not known that any state has repealed an inheritance tax law, except the state of Kansas, where by an oversight the law was repealed. There is ample assurance, however, that it will be reenacted in that state by the next legislature. It must therefore be conceded that the principle of the inheritance tax is now recognized by nearly all states of the Union as a valid exercise of the taxing power upon transmission of property under and by virtue of the law itself from the dead to the living; for the general rule is that inheritance tax is not levied upon the property, but upon the succession and that the value of the property is merely used to determine the amount of the levy and that those receiving the property under and by virtue of the laws of succession in any state, should and ought to pay a tax upon the right or privilege conferred by law. The expense of maintaining the state, enforcing the law, protecting the property

and providing machinery for the administration of estates, should be paid in part by those who become beneficiaries of the decedent under the decedent laws. No considerable opposition is found at this date to the inheritance tax and the public is cheerfully acquiescing in the operation of this law wherever it is adopted in terms that are fair and specific, and when it becomes better understood, all opposition will disappear. Of course there are details to be considered, such for instance, as the exemption of the widow's estate or dower, the exemption of gifts made for charitable purposes, an exemption of a certain amount to direct lineal descendants, the levying of higher rates on collateral relatives or strangers than those imposed upon lineal descendants, and the graduation of the tax according to the value of the estate. But all of these matters have been covered quite satisfactorily by our statute in the state of Nebraska, and but few amendments have been made to the law since its adoption in 1901.

These amendments relate principally to refunding the tax where debts are proved against the estate after the inheritance tax has been collected and for refunding taxes erroneously paid. In 1907 an amendment was made concerning the manner of appraisal, and also to the application and use of the money derived from inheritance taxes. As our law now stands, Section 19 of the Act provides: That all money collected from this tax shall be expended for the permanent improvement of the county roads and these roads must begin at the limit of a city or village and extend therefrom in directions most traveled by the public. Such roads shall be built by contract, under competitive bidding and it will be observed that the fund can therefore not be used for any road building within the corporate limits of any city or village. It would seem that this of itself was a discrimination against cities, towns and villages.

This is founded on the fact that many estates required to pay the inheritance tax have large amounts of property in cities, towns and villages and yet under the present system, the tax is applied wholly outside such sub-divisions. It also is plain from the table hereto appended of the collection of inheritance taxes, that the amount derived from the tax is uncertain and that it fluctuates so much from year to year as to make it a source of revenue not to be depended upon for any specific amount or purpose. Added to the state revenue each year, it would con-

stitute a fairly regular amount large enough to be worthy of attention. We would, therefore, recommend a change in the law so that inheritance taxes shall be paid into the state treasury to become a portion of the general revenues of the state. This of course may be considered a move toward segregation of state revenues on specific lines, but it is plain that corporation occupation taxes do more good, paid directly to the state, than they would if scattered about the counties of the state, and we may well consider the advisability of putting such irregular amounts derived therefrom, into one great common fund in the state treasury. So too, occupation taxes on certain lines of business could well be added to the state revenues.

In view of the legislation adopted by many states in recent years, it would also be wise to reduce the amount of exemption allowed under the present law and thus increase the revenues obtainable from this tax. We recommend that Section 1 of the Inheritance Tax Law be so amended as to allow an exemption of \$5,000 only to the widow, surviving husband, child, brother, sister, father, mother, widow of the son or husband of the daughter, and that the exemption in favor of relatives of more remote degree should be correspondingly reduced, as for instance: So that not more than \$1,000 exemption should be allowed to those taking under the second class of beneficiaries and no exemption at all in the case of those coming under the third class.

The courts hold that the legal estate created by statute in favor of the widow is not subject to the inheritance tax, therefore a reduction of the exemption to \$5,000 to each person is a sufficient exemption for even the widow of a decedent and a clear exemption of \$5,000 to each person seems to be a sufficient protection against want or poverty, while the inheritance of that sum of money or property is likewise a sufficient guarantee of the ability of the donee or devisee to pay a reasonable tax thereon. It is not believed that in an agricultural state like Nebraska, on our present level of values and prices, that this reduction in exemptions would work any particular hardship.

In the second class we suggest and recommend the following table of rates:

|                    |                              |               |          |
|--------------------|------------------------------|---------------|----------|
| Exemption, \$1,000 |                              |               |          |
| 2%                 | on excess of                 | \$1,000 up to | \$4,000  |
| 3%                 | " " "                        | \$4,000 " "   | \$7,000  |
| 4%                 | " " "                        | \$7,000 " "   | \$10,000 |
| 5%                 | " " "                        | \$10,000 " "  | \$15,000 |
| 6%                 | " " "                        | \$15,000 " "  | \$30,000 |
| 7%                 | " " "                        | \$30,000 " "  | \$50,000 |
| 8%                 | on all excess above \$50,000 |               |          |

Third division or classification:

|                            |                           |               |          |
|----------------------------|---------------------------|---------------|----------|
| Amount of exemption, none. |                           |               |          |
| 2%                         | on all sums up to \$3,000 |               |          |
| 3%                         | on excess of              | \$3,000 up to | \$5,000  |
| 3%                         | " " "                     | \$5,000 " "   | \$7,000  |
| 5%                         | " " "                     | \$7,000 " "   | \$10,000 |
| 6%                         | " " "                     | \$10,000 " "  | \$15,000 |
| 7%                         | " " "                     | \$15,000 " "  | \$20,000 |
| 8%                         | " " "                     | \$20,000 " "  | \$30,000 |
| 9%                         | " " "                     | \$30,000 " "  | \$40,000 |
| 10%                        | " " "                     | \$40,000 " "  | \$50,000 |

and all sums in excess thereof.

We would recommend that the administrative machinery of the Inheritance Tax Law be strengthened so as to secure more accurate appraisals and to the end that no estate subject to the inheritance tax law would escape payment thereof, which seems to be quite easily accomplished at the present time, particularly if the amount and value of the estate is close to the line of demarcation. Many states are strengthening the administrative sections of their laws and obtaining large revenues thereby. California seems to have made great strides in that direction by cent legislation and it is believed that much could be accomplished in this state along that line.

It is respectfully urged that the present statute concerning inheritance taxes be retained as far as possible and that changes be made thereto by way of amendment rather than by an entire new statute, on account of the value of the numerous court decisions upholding, construing and defining the present law. It

would be a distinct loss to the state if an entirely new act were to be drafted and enacted and a constitutional question should afterward invalidate it. The present law has been held constitutional (74 Neb., 675) and has been pretty thoroughly construed and defined by several decisions subsequent to the case above cited. It also has the added fortification of the decision of the Supreme Court of the United States upholding the Illinois law, from which our statute is taken. Therefore caution should be observed in making any changes that may be proposed to this statute. The Illinois law has since been amended in some particulars, but is still much like ours, except that it allows a much larger exemption to the widow, children, etc., and also that the tax is paid to the state treasurer, the county merely retaining 2 per cent allowed to the treasurer for his services in collecting and remitting the same, in addition to his salary or fees allowed him by law.

The financial results of the inheritance tax law since 1905 are shown in the table printed below. Prior to that year the tax was collected by the counties and covered into the state treasury. In the first year one county collected \$64,74, in the biennium ending November 30, 1904, seventeen counties collected \$5,608.86. In 1905 the act was amended by providing for the use of the tax for local purposes as described above. Down to this time \$4,240.48 in addition to the sums noted above was collected, making a total of \$9,914.08 from 1901 to 1905. This sum was returned to the counties for local use. The receipts by counties since 1905 as reported to the Legislative Reference Bureau have been as shown in the table at the end of this chapter. We also subjoin a table showing the chief provisions of the inheritance tax laws of the several states, taken from *State and Local Taxation*, Volume VI.

**Summary.**—The Act of 1901 was based on sound principles, but in the light of fourteen years of experience it needs amendment in important respects. We recommend that the exemption be reduced as indicated above, that the rates as indicated in classes two and three be increased and made progressive according to the scale given; and for administrative reason, and because the tax from its nature belongs to the state rather than the local governments, that the proceeds thereof be paid into the general fund of the state treasury.

## FINANCIAL RESULTS OF THE NEBRASKA INHERITANCE TAX, 1905-1913

| Counties  | 1905     | 1906      | 1907      | 1908       | 1909      | 1910      | 1911      | 1912     | 1913      |
|-----------|----------|-----------|-----------|------------|-----------|-----------|-----------|----------|-----------|
| Adams     | \$325.19 | \$700.80  | \$14.04   | \$2,325.68 | \$121.82  | \$179.07  |           | \$98.60  |           |
| Antelope  |          |           | 15.25     |            | 55.00     | 37.36     | \$135.00  | 119.86   | *         |
| Banner    |          |           |           |            |           |           |           |          |           |
| Blaine    |          |           |           |            |           |           | 4.60      |          |           |
| Boone     |          |           | 176.63    | 1,300.02   | 1.50      | 481.30    | 882.07    | 1,110.93 | 326.98    |
| Box Butte |          |           |           |            |           | 1,832.00  |           | 620.54   | 81.17     |
| Boyd      |          |           |           |            |           |           |           |          |           |
| Brown     |          |           | 170.87    |            |           |           |           |          |           |
| Buffalo   |          | 37.13     | 440.91    | 944.39     | 340.00    | 6,686.46  |           | 551.73   | 149.61    |
| Burt      |          |           |           | 1,503.24   | 3,772.43  | 663.40    | 1,184.81  | 507.07   | 2,141.60  |
| Butler    | 1,074.70 |           |           | 292.65     | 166.20    | 1,019.16  |           | 3,023.78 | 76.08     |
| Cass      |          | 186.69    | 1,901.46  |            | 136.32    | 832.58    | 153.18    | 708.47   | 407.62    |
| Cedar     |          | 26.73     | 62.50     | 52.81      | 3,040.59  | 240.00    | 1,601.13  | 1,254.27 | 698.25    |
| Chase     |          | 561.70    |           |            |           |           |           |          | 13.64     |
| Cherry    |          |           |           | 58.87      |           |           |           |          | 13.00     |
| Cheyenne  |          |           | 10.00     |            | 50.00     | 60.00     |           | 13.02    | *         |
| Clay      |          |           |           |            | 197.62    | 437.79    | 2,145.20  | 2,447.76 | 3,547.48  |
| Colfax    |          |           | 385.57    |            | 311.07    | 471.19    | 125.54    | 28.08    | *         |
| Cuming    |          | 462.45    | 887.16    | 1,184.89   | 1,942.47  | 983.49    | 2,746.35  | 1,964.60 | 2,296.20  |
| Custer    |          |           |           |            |           |           |           | 450.05   | 3.08      |
| Dakota    |          |           |           | 15.00      | 1,467.66  |           |           |          | 156.67    |
| Dawes     |          |           |           |            |           |           |           |          |           |
| Dawson    |          |           |           | 1,048.82   | 192.00    | 2,029.88  |           |          | 1,641.87  |
| Deuel     |          |           |           |            | 20.16     |           |           | .41      |           |
| Dixon     |          | 176.47    |           | 347.00     |           | 550.85    |           | 65.00    | 75.20     |
| Dodge     |          |           | 7,982.00  | 2,331.27   | 363.62    | 94.45     | 1,259.53  | 1,542.20 | 1,605.91  |
| Douglas   |          | 76,908.66 | 31,695.33 | 181,135.65 | 19,153.72 | 19,810.69 | 19,001.39 | 7,744.10 | 41,578.04 |
| Dundy     |          |           |           |            |           |           |           |          |           |
| Fillmore  | 398.93   |           |           | 156.12     | 345.53    | 103.22    | 83.23     | 751.59   | 86.65     |
| Franklin  |          |           |           |            | 170.00    | 21.75     | 297.70    | 16.06    | 46.60     |
| Frontier  |          |           |           | 73.94      |           |           |           | 4.61     |           |
| Furnas    |          |           |           |            |           |           | 67.78     |          |           |
| Gage      |          |           | 680.00    | 5,531.59   | 377.25    | 1,506.66  | 12,075.52 | 1,798.39 | 1,837.00  |

## FINANCIAL RESULTS OF THE NEBRASKA INHERITANCE TAX, 1905-1913—(Continued)

| Counties  | 1905   | 1906   | 1907     | 1908     | 1909     | 1910     | 1911      | 1912     | 1913     |
|-----------|--------|--------|----------|----------|----------|----------|-----------|----------|----------|
| Garden    |        |        |          |          |          |          | 8.70      |          | *        |
| Garfield  |        |        |          |          |          |          |           |          | *        |
| Gosper    |        |        |          | 154.56   |          |          |           | 200.00   | 3.08     |
| Grant     |        |        |          |          |          |          |           |          |          |
| Greeley   |        |        |          |          |          | 240.00   | 133.20    | 32.13    | 139.66   |
| Hall      |        | 251.28 | 97.81    | 1,531.27 | 1,276.92 | 2,815.51 | 1,538.20  | 155.51   | 443.31   |
| Hamilton  | 39.50  | 171.70 |          | 593.40   | 2,552.08 | 1,905.72 | 656.08    | 478.05   | 298.51   |
| Harlan    |        |        |          | 190.00   |          | 1,055.25 | 195.42    | 124.10   | *        |
| Hayes     |        |        |          |          |          |          |           |          | 2.13     |
| Hitchcock |        |        |          |          |          |          |           |          | *        |
| Holt      |        |        |          |          | 29.60    |          | 8.00      | 54.63    | 336.70   |
| Hooker    |        |        |          |          |          |          |           |          |          |
| Howard    |        |        | 46.96    |          |          | 780.29   | 278.24    | 167.50   |          |
| Jefferson |        |        |          | 290.68   |          |          | 1,163.25  | 1,174.72 |          |
| Johnson   | 664.83 |        |          | 74.25    |          | 1,120.49 | 89.48     | 62.03    | 632.95   |
| Kearney   |        |        |          |          | 28.61    | 957.83   | 104.06    | 16.05    | 811.70   |
| Keith     |        |        |          | 15.87    | 681.51   | 24.77    | 861.83    | 14.10    | 45.00    |
| Keya Paha |        |        |          |          | 23.12    |          |           |          | 111.40   |
| Kimball   |        |        |          |          | 72.60    |          |           |          | *        |
| Knox      |        |        |          |          | 560.05   | 153.42   | 3,102.06  |          | *        |
| Lancaster |        | 764.25 |          | 4,464.28 | 1,285.34 | 4,717.63 | 2,069.79  | 3,173.19 | 2,995.22 |
| Lincoln   |        | 367.80 |          |          | 3.29     | 214.00   |           | 63.00    | 677.39   |
| Loup      |        |        |          |          |          |          |           |          |          |
| Loup      |        |        | 109.95   | 40.70    | 900.13   | 934.04   | 388.37    | 828.32   | 626.94   |
| Madison   | 585.86 |        |          |          |          |          | 21.50     |          |          |
| McPherson |        |        |          |          |          | 170.26   | 5,934.25  | 592.91   | 895.45   |
| Merrick   |        |        | 1,315.72 |          |          | 4.80     |           |          |          |
| Morrill   |        |        |          |          | 40.21    | 7.50     | 195.60    | 137.53   | 532.00   |
| Nance     |        |        | 1,387.78 | 34.57    | 791.07   | 273.99   | 2,134.57  | 322.75   | 372.55   |
| Nemaha    |        |        | 68.24    | 838.91   | 527.08   | 64.00    | 11,082.15 | 1,149.77 | 1,519.84 |
| Nuckolls  |        |        |          |          |          |          |           | 2,291.32 | 670.46   |
| Otoe      | 238.54 |        | 3,809.43 | 713.12   | 5,132.05 | 820.45   | 1,285.20  |          | 250.00   |
| Pawnee    | 44.75  |        |          | 2,785.56 |          |          | 66.33     | 119.34   |          |



List of States of the Union with the Main Provisions of Inheritance Laws, If Any, Giving Rates, Exemptions, Etc.

| STATES                | Dates of Earliest<br>and<br>Most Recent Act | Lineal     |              | Collateral |            | Special Features                       |
|-----------------------|---------------------------------------------|------------|--------------|------------|------------|----------------------------------------|
|                       |                                             | Rates<br>% | Exemptions   | Rates<br>% | Exemptions |                                        |
| Alabama, <sup>a</sup> | No law                                      |            |              |            |            |                                        |
| Alaska                | No law                                      |            |              |            |            |                                        |
| Arizona               | 1912                                        |            |              |            |            |                                        |
| Arkansas              | 1901                                        | 1          | 5000-10000   | 2-6        | 500-5000   | Graded and Progressive                 |
| California            | 1901                                        | 1          | 5000         | 2-6        | 1000-2000  | Progressive                            |
| Colorado              | 1911                                        | 1-5        | 10000-24000b | 2-25       | 500-2000b  | Progressive                            |
| Connecticut           | 1901                                        | 2          | 10000        | 3-10       | 500        | Progressive                            |
| Delaware              | 1889                                        | 1          | 10000c       | 5          | 500bc      | Reciprocal                             |
| Dist. of Columbia     | 1869                                        |            |              | 1-5        | 500        | Graded                                 |
| Florida               | No law                                      |            |              |            |            |                                        |
| Georgia               | No law                                      |            |              |            |            |                                        |
| Hawaii                | No law                                      |            |              |            |            |                                        |
| Idaho                 | 1892                                        |            |              |            |            |                                        |
| Illinois              | 1907                                        | 2          | 5000b        | 5          | 500b       |                                        |
| Indiana               | 1895                                        | 1-3        | 4000-10000b  | 1½-15      | 500-2000b  | Progressive                            |
| Iowa                  | 1909                                        | 1-2        | 20000b       | 2-10       | 500-2000   | Progressive                            |
| Kansas                | No law                                      |            |              |            |            |                                        |
| Kentucky              | 1911                                        | 1-5        | 5000         | 5d         | 1000       | Tax Limitation, Graded and Progressive |
| Louisiana             | 1909                                        |            |              | 3-15       | 1000       |                                        |
| Maine                 | 1906                                        |            |              | 5          | 500b       |                                        |
| Maryland              | 1912                                        | 2          | 10000        | 5          | 0          |                                        |
| Massachusetts         | 1911                                        | 1-2        | 500-10000b   | 4-7        | 500b       | Progressive                            |
| Michigan              | 1904                                        |            |              | 2½         | 500        |                                        |
| Minnesota             | 1891                                        | 1-4        | 1000-10000   | 2-8        | 1000       | Graded and Progressive                 |
| Mississippi           | 1909                                        | 1          | 2000b        | 5          | 100b       |                                        |
| Missouri              | 1875                                        | 1-3        | 3000-10000b  | 3-15       | 100-1000b  | Progressive                            |
| Montana               | No law                                      |            |              |            |            |                                        |
| Nebraska              | 1895                                        |            |              | 5          | 0          |                                        |
| Nevada                | 1897                                        | 1          | 7500         | 5          | 500        | Progressive                            |
| New Hampshire         | 1901                                        | 1          | 10000b       | 2-6        | 500-2000b  |                                        |
|                       | No law                                      |            |              |            |            |                                        |
|                       | 1878                                        |            |              | 5          | 0          |                                        |



## CHAPTER XI

**AN OCCUPATION TAX ON MANUFACTURERS AND DEALERS IN LIQUORS AND TOBACCOS**

One of the possibilities under the existing conditions of our state revenues would be an occupation tax imposed upon such occupations and businesses as would distribute a light and indirect tax upon the purchasers and consumers of non-necessaries, such as intoxicating liquors, tobaccos, cigars and all forms of such products.

This sort of occupation tax which is closely akin in its nature to a license, is usually paid promptly and cheerfully by the brewer, distiller and retail seller, and it falls in small amounts upon those who consume something which they may readily dispense with if they do not choose to consume the article specially taxed.

A reasonable occupation tax upon distillers, brewers, rectifiers and retail dealers would bring in a considerable revenue to the state and it would appear just from any standpoint of economics to lay a heavier burden upon these lines of business since the direct result of such business and traffic creates a heavy inroad on state revenues.

The Commission is informed that there are at this time approximately 2,272 federal retail liquor dealers' permits held by Nebraska dealers. There are also licenses held by brewers, distillers and rectifiers of liquors and a vast army of dealers in tobacco and cigars, all of whom should be required to contribute in some special way to the state for engaging in this particular line of business.

The consumption of alcoholic liquors, according to the Report of the Committee of Fifty, 1899, is the principal cause of 25 per cent of poverty, 37 per cent of pauperism, 45.8 per cent of child destitution and abandonment and 50 per cent of all crimes. All of these require expenditures by the state, as well as the county and municipality, for poverty, crime and child destitution and abandonment reach out and claim the interest of the state as well as that of the locality. The consumption of alcoholic liquors,

according to the report of Dr. Rosanoff of Clark University, 1909, causes 25 per cent of all insanity and at that date there were, according to his figures, 43,605 insane persons in the United States whose insanity was directly chargeable to alcoholic liquors. By the United States Government report pertaining to divorces, 1908, it is shown that 19.5 per cent of divorces are caused by the use of alcoholic liquors, and this is exclusive of decrees that were granted to wives for cruelty and non-support.

With the above staggering indictment against the liquor business, we should not hesitate to say that the expense imposed on the state by this traffic is so enormous that these businesses, from the brewery and distillery down to the saloon and pharmacy, are not paying a fair proportion of taxes when measured against the other lines of industry in manufacturing and other retail sales trades.

While the way is clear to tax occupations under the present constitution, still the adoption of the Norton Amendment will specifically provide for the taxing of privileges and occupations, and so long as Nebraska is a local option state where one community can vote in the saloon while another votes it out, we see no reason why a revenue should not be exacted for state purposes that will in some measure assist the state in caring for the insane, the criminal, the destitute and the delinquent, who are made such by reason of the liquor traffic. We therefore recommend an occupation tax upon the following proposed schedule, on these lines of business:

Brewers, distillers and rectifiers \$1,000 each per annum.

Wholesale liquor dealers, \$500 per annum.

Retail liquor dealers, \$100 per annum.

Drug stores and pharmacies having permits to sell intoxicating liquors \$50.00 per annum.

Manufacturers of cigars and tobaccos, \$100 per annum.

Wholesale dealers in cigars and tobaccos, \$50.00 per annum.

Retail dealers in cigars and tobaccos, \$25.00 per annum.

In connection with the above schedule, we would suggest that the law be so framed as to imply nothing suggestive of a license or permit to transact such business, from the state, but that it be framed upon the theory that anyone engaging in such business must, after securing the local or municipal license required, pay to the state an occupation tax for the privilege of conducting

this business. This would not interfere with local option in the least. Every municipality, city and village would still determine its own policy as to whether or not it desired to be "wet or dry," but if a certain town having voted "wet," granted license to a liquor dealer, then it would be necessary for the dealer to pay the occupation tax or be subject to a heavy penalty to be stipulated in the law.

It is the belief of the Commission that this tax would be paid with almost no expense or effort on the part of the state, as all dealers engaging in these lines of business would be likely to admit the justness of a revenue accruing to the state, as well as to the village, town, city and school district.

## CHAPTER XII.

## THE TAXATION OF GRAIN DEALERS

**The Present Method.**—Prior to 1904 grain dealers were taxed as other merchants were upon the basis of the value of the property in their possession on the first of April. Because of the frequency with which elevator companies, sometimes doing a large business, returned for assessment only the value of the elevator and equipment led the legislature in 1903 to inaugurate a new method of assessing dealers in grain. The plan was adopted of assessing them on the basis of the "average amount of capital invested in such business for the preceding year." No rule was laid down for finding the "average capital," nor was it clear just what was to be included in the term.

In 1906 a case came up to the supreme court from Lancaster County involving the meaning of the term. The county assessor had added \$10,000 to the schedule of a company on account of grain found on hand on assessment day. The company had contended that the grain on hand should not be included in the assessment of its tangible property since it was included in the "average capital" separately returned. The supreme court in its first decision took this view of the matter, holding that the purpose of the legislature was to distinguish between the capital which could easily be viewed by the assessor and that not easy to determine; that the distinction was clear, therefore, between the capital invested in the plant on the one hand and the working capital used in buying and selling on the other; and that the average amount of this working capital was what the assessor was required to find. *Central Granaries Co. v. Lancaster county*, 77 Neb., 311. On rehearing, a second decision was filed vacating the first, and confirming the decision of the district court which had upheld the county assessor in treating grain on hand as "tangible property" within the meaning of the section which required that "real estate and other tangible property shall be assessed separately" from the "average capital invested in the business for the preceding year." That is, all tangible property is to be treated as such in the ordinary meaning of the term,

and to this is to be added any excess of "average capital" found to have been employed. It seems that this rule would work out about as follows: If the assessor finds that an average capital of \$5,000 has been employed in the business and that cash and grain worth just that much are on hand on April 1st, the capital is just accounted for; if he finds \$3,000 worth of grain he adds \$2,000 to make up the average; and if he finds \$6,000 worth of grain he then ignores the average capital entering the \$6,000 worth of grain as tangible property. This is the practical interpretation of the law as left by the decision of 1907, by some assessors at least.

To make a difficult section worse the legislature in 1909 amended it by inserting the declaration that "tangible property" shall not apply to or include grain on hand, so that we now have this remarkable provision for the assessment of grain dealers, that they shall determine the

"average amount of capital invested in such business for the preceding year, and taxes shall be charged upon such average capital the same as on other property. Real estate and all other tangible property shall be assessed separately. 'Tangible property' shall not apply to or include grain on hand. 'Average capital' shall include all grain purchased during the year whether the same has been sold or is still on hand at the time of assessment."

To complicate matters still further the attorney general, without giving a formal opinion, later publicly expressed the opinion that the amendment of 1909 has no force, and that the rule laid down in 1907 still holds.

**Operation of the Law.**—This section has caused trouble out of all proportion to its fiscal importance. Under the item "capital invested by grain brokers" only from \$275,000 to \$300,000 are placed on the assessment rolls, yet there is hardly a section of the revenue law that causes more friction and dissatisfaction than the one under review. The practice of the assessors varies in the matter of including grain on hand in the tangible property; and, what is of more significance, in the method of determining "average capital" employed. The assessors have been left to struggle with the problem and they have settled it in different ways. Before the case cited above reached the supreme court a plan had been evolved and generally adopted, of dividing the volume of business done in the year

by some number representing the supposed frequency of turn-over. Thus an elevator may have handled 20,000 bushels of wheat at an average price of 80 cents, requiring an aggregate outlay of \$16,000. Assuming that in doing this business the funds were turned ten times, an "average capital" of \$1,600 would be required for the transaction.

The difficulty with this method lies in determining the proper "divisor". If for example in the above case it is assumed that the turn-over is twenty times a year the "average capital" required would be but \$800. The problem is, not to find the average turn-over for all elevators but for a given elevator in a given year. Letters from a large number of assessors show that they exercise wide discretion in the use of a divisor. Some do not concern themselves with finding average capital at all. Those who do, report the use of 12, 15, 20, 24, 30, 36 and 313 as a "divisor." The assessor using the last number got \$170,000 worth of business done with a working capital of \$543. An accurate assessment would of course require the use of different divisors according to the business methods of the elevator company. One which habitually makes frequent shipments will do a given volume of business with a smaller fund than one which follows a contrary practice. In only one or two instances do we find that the assessor varies the divisor for different companies within his jurisdiction.

The practical bearing of this difference in methods was brought out in the case cited above. The plaintiff was a line company operating fifty or sixty elevators. Shipments were made from these to central stations for cleaning and mixing the grain. One of these was located in Lancaster county. It was contended by the company that the assessor had no right to assess the grain found in Lancaster County since it had been bought out in the state and assessed there as "average capital". This view of the law can be very plausibly defended. But even though it may be proven to be good law, it can hardly be shown to work equitably. A line company which keeps the bins of its country elevators clean by frequent shipments to its terminals will of course employ comparatively little working capital at the country elevator. The grain bought, is soon stored at the central station and the balance usually carried by such companies in the local bank is small. In fact it is not infrequently the practice for the bank to receive their checks and send them

forward to the central office for payment. With such a method of conducting business, the law may be fully complied with and yet a small cash item, or small "average capital" item, be truthfully returned as far as the local business is concerned. But unless the law provides some means of reaching the capital employed in carrying the grain at the terminals, an injustice is done those competitors who pay a tax on their "average capital" on the basis of the full time it is tied up in grain. To illustrate: A company having terminal facilities may, in the natural course of business, have grain in its local elevator ten days and the same grain in its terminal elevator for twenty days. It is not equitable for it to use a large divisor—say 36—on the ground of a frequent turn-over of capital and thus make out a low "average capital", while a competitor, carrying his grain also an average of thirty days is compelled to use a small divisor—say 12—and thus make make an item of "average capital" three times that of the line company for the same amount of grain handled. Theoretically the line company ought to be assessed at the local elevator on the basis of holding its grain ten days and at the terminal on the basis of holding it twenty days in the case assumed. This would be equitable as between competitors, but to make such a computation would render more complex and difficult a method already top-heavy with complexities and difficulties.

**Methods in Other States.**—In most states grain dealers are taxed as they were in Nebraska prior to 1903. North Dakota, however, since 1907 has had a low bushel tax on "all grain grown within the state and therein in elevators and granaries" at the rate of one-eighth of a cent for oats, barley, corn, speltz and rye, three-eighths of a cent for wheat, and one-half cent for flax. These rates it should be noted apply to grain in the hands of producers and dealers alike on assessment day. Grain grown outside the state is taxed according to value. We do not know what considerations led to the enactment of this law, but its effect would be to discriminate against grain grown outside the state by whomsoever held.

Minnesota in 1909 adopted a bushel tax of another kind. Graindealers there are taxed (1) on the value of the plant at the local rate; (2) on cash and credits held at the rate of 3 mills on the dollar, the same as other owners of such property; and (3)

on the grain "received or handled" at an elevator or warehouse, regardless of place of growth, at the rate of one-fourth of a mill per bushel of flax and wheat, and one-eighth of a mill per bushel of all other kinds of grain. Grain on hand on assessment day is not assessed to the dealer. The merit of this tax is its simplicity and ease of administration. But a tax in such form is peculiarly liable to be shifted, a fact which probably led to the adoption of rates so low that they yield but slight revenue. The returns show 187,200,000 bushels of grain handled, in 1910 and taxes amounting to \$35,000. The Tax Commission recommends that the rates be quadrupled if this form of tax is retained.

Iowa has a law similar to that of Nebraska, which applies, however, to dealers in ice and coal as well as to dealers in grain. The secretary of the executive council informs us that the law is generally ignored and dealers in grain are assessed as a matter of practice on the basis of the property held on assessment day.

Kansas assesses all merchants including grain dealers upon the "average value of such articles of personal property which he shall have had in his possession or under his control during the year." Whether such a plan is desirable or not may be questioned, but if applied to grain dealers it seems clear that it should also be applied to live stock, ice and coal dealers, and to all others whose stocks fluctuate greatly from time to time. The Kansas Tax Commission reports that the law gives general satisfaction. That Commission has worked out a form of statement for the aid of assessors in finding the average amount on hand, which if adopted in this state would enable the assessors to find the average capital employed with far greater accuracy than is now secured. A sample statement for a month's business shown in the table below.

**Conclusions and Recommendations.**—In view of the uncertain operation of the present law and the irritation caused by the attempt to determine the average capital employed, we recommend the repeal of Section 6333 R. S., providing for the assessment of grain dealers. This would place these dealers under the general rule of assessment on the basis of the property held on April 1. Doubtless the difficulties experienced prior to 1903 would reappear, but it may be questioned whether these difficulties would be any greater than those under the present law and the fiscal effect of the change would probably be slight.

| Date   | Bushels Bought | Days on Hand | No. Days One Bushel on Hand | Bushels Sold | Days not on Hand | No. Days One Bushel not on Hand |
|--------|----------------|--------------|-----------------------------|--------------|------------------|---------------------------------|
| 1....  | 3,000          | × 31 =       | 93,000                      | .....        | .....            | .....                           |
| 2....  | 2,000          | × 30 =       | 60,000                      | .....        | .....            | .....                           |
| 3....  | 1,000          | × 29 =       | 29,000                      | .....        | .....            | .....                           |
| 4....  | 4,000          | × 28 =       | 112,000                     | 10,000       | × 27 =           | 270,000                         |
| 5....  |                |              |                             | .....        | .....            | .....                           |
| 6....  | 3,000          | × 26 =       | 78,000                      | .....        | .....            | .....                           |
| 7....  | 2,000          | × 25 =       | 50,000                      | .....        | .....            | .....                           |
| 8....  | 5,000          | × 24 =       | 120,000                     | .....        | .....            | .....                           |
| 9....  | 6,000          | × 23 =       | 138,000                     | .....        | .....            | .....                           |
| 10.... | 4,000          | × 22 =       | 88,000                      | .....        | .....            | .....                           |
| 11.... | 3,000          | × 21 =       | 63,000                      | 23,000       | × 20 =           | 460,000                         |
| 12.... |                |              |                             | .....        | .....            | .....                           |
| 13.... | 2,000          | × 19 =       | 38,000                      | .....        | .....            | .....                           |
| 14.... | 1,000          | × 18 =       | 18,000                      | .....        | .....            | .....                           |
| 15.... | 3,000          | × 17 =       | 51,000                      | .....        | .....            | .....                           |
| 16.... | 5,000          | × 16 =       | 80,000                      | .....        | .....            | .....                           |
| 17.... | 2,000          | × 15 =       | 30,000                      | .....        | .....            | .....                           |
| 18.... | 1,000          | × 14 =       | 14,000                      | .....        | .....            | .....                           |
| 19.... |                |              |                             | .....        | .....            | .....                           |
| 20.... | 4,000          | × 12 =       | 48,000                      | 18,000       | × 11 =           | 198,000                         |
| 21.... | 3,000          | × 11 =       | 33,000                      | .....        | .....            | .....                           |
| 22.... | 4,000          | × 10 =       | 40,000                      | .....        | .....            | .....                           |
| 23.... | 2,000          | × 9 =        | 18,000                      | .....        | .....            | .....                           |
| 24.... | 1,000          | × 8 =        | 8,000                       | .....        | .....            | .....                           |
| 25.... | 500            | × 7 =        | 3,500                       | .....        | .....            | .....                           |
| 26.... |                |              |                             | .....        | .....            | .....                           |
| 27.... | 2,000          | × 5 =        | 10,000                      | .....        | .....            | .....                           |
| 28.... | 1,500          | × 4 =        | 6,000                       | 14,000       | × 3 =            | 42,000                          |
| 29.... | 1,000          | × 3 =        | 3,000                       | .....        | .....            | .....                           |
| 30.... | 2,000          | × 2 =        | 4,000                       | .....        | .....            | .....                           |
| 31.... | 1,000          | × 1 =        | 1,000                       | .....        | .....            | .....                           |
|        | 69,000         |              | 1,236,500                   | 65,000       |                  | 970,000                         |

Total days 1 bushel on hand.....1,236,500

Total days 1 bushel not on hand..... 970,000

Divisor January days.....31)266,500

8,596 + Av. bushels on hand  
in January.

## APPENDIX A

The Special Tax Commission on the Taxation of Corporations, of the state of Connecticut 1913, has made the following digest of laws relating to the methods of taxing railroad, express, telegraph, and telephone companies.

## I. RAILROAD COMPANIES

**Alabama.**—The State Board of Assessment values all the property of railroad companies, and this valuation is apportioned among the counties and municipalities on the basis of mileage, the taxes being at the rate of the general property tax. There are also municipal license taxes based upon population the fees varying from \$10 in municipalities not exceeding 250 inhabitants to \$25 for the first 1,000 inhabitants and \$35 for each additional 1,000 inhabitants in places exceeding 10,000 inhabitants. Railroad companies are subject to the State corporation license tax based upon stock, bonds and earnings at the rate of the general property tax.

Street railway companies are assessed upon all their property by the State Board of Assessment, this valuation being apportioned to the counties and municipalities upon the basis of mileage and the taxes collected at the rate of the general property tax. In addition to this tax, such companies may be assessed by municipalities on their gross receipts as a privilege tax, the rate not to exceed 2% on the gross receipts; provided, that the amount paid by such companies to the municipalities as a tax on intangible property shall be allowed as a credit on and against the privilege tax. Shares of stock are taxed to the holders as personal property.

**Arizona.**—Railroad Companies are taxed under the general property tax, the assessment being made by the State Board of Equalization and the valuation apportioned to the counties and taxing units, where the taxes are collected in the same way and at the same rate as those upon property in the hands of individuals.

Street railway companies are taxed upon all their property in exactly the same way as property in the hands of individuals is taxed.

**Arkansas.**—Railroad companies are taxed by the State 1-20 of 1% upon the amount of capital stock and also the value of all their property, including franchises, as assessed by the State Tax Commission. This valuation is apportioned to the taxing units on the basis of mileage and the taxes collected at the rate of the general property tax.

Street railway companies are taxed as railroads except that the assessment of their property is made by county, not State, officers.

**California.**—Railroad companies are taxed by the State upon their gross receipts from operation at the rate of 4% in (now 4½%) lieu of all other taxes. The gross receipts of companies doing an interstate business are deemed to be all receipts on business beginning and ending within the State and a

proportion, based upon mileage, of the receipts from business passing through, into, or out of the State.

**Colorado.**—The total property of railroad companies is assessed by the State Tax Commission and the valuation apportioned to the counties and taxing districts upon the basis of mileage, the taxes being collected locally at the same rate and in the same way as those upon property in the hands of individuals. Such companies also pay a State license tax of 2 cents on each \$1,000 of authorized capital stock.

Street railway companies operating in more than one county are taxed in the same way as railroad companies. If operating in only one county they are assessed by the local assessor.

**Delaware.**—All railroads operating within the State are permitted to pay to the State fixed lump sums in lieu of all other State taxes. Theoretically, in place of these commutation taxes, railroads are subject to State taxes at the following rates: on passengers, 10 cents each; on net income, 10%; on rolling stock: locomotives, \$100 each, passenger cars, \$25 each, freight cars, \$10 each; on capital stock, actual cash value,  $\frac{1}{2}$  of 1%. Any tangible property located outside the right of way is subject to local taxation under the general property tax.

Street railway companies are not subject to taxation by the State, but all their property is assessed and taxed by the counties and municipalities as property in the hands of individuals is taxed.

**District of Columbia.**—Railroad companies are taxed by the District on all their property under the general property tax.

Street railway companies are taxed 4% upon their gross receipts within the District and the general property tax upon their real property. The tracks, however, are not regarded as real property.

**Florida.**—Railroad companies are taxed upon all their assets under the general property tax, and in addition are subject to a State license tax of \$10 for every mile of track in the State, including branches and side tracks. One-half of this tax is distributed to the counties on the basis of mileage and one-half retained by the State. The municipalities also impose license taxes based upon population, the fees varying from \$10 to \$250. Shares of stock are taxable to the holders.

**Georgia.**—Railroad companies are assessed by the State Comptroller upon the total amount of their property, including indebtedness and franchises; this valuation is apportioned to the local taxing units and the tax collected in the same way and at the same rate as that upon property in the hands of individuals. Such companies are also subject to State license tax upon the authorized amount of capital stock, the fees varying from \$5 to \$75.

**Idaho.**—Railroad companies are assessed by the State Board of Equalization upon all their property, this valuation being apportioned to the counties upon the basis of mileage, and the taxes collected at the same rate and in the same way as those upon property in the hands of individuals. In addition to this, there is a State license tax upon the authorized amount of capital stock, the fees varying from \$10 to \$150 according to the amount of stock.

**Illinois.**—Railroad companies, with the exception of the Illinois Central Railroad Company, are taxed at the rate of the general property tax upon all property, tangible and intangible, as assessed by the State Board of Equalization, the valuation being apportioned to the taxing districts and the taxes collected locally.

The Illinois Central Railroad Company, by the charter act, is subject to a State tax of 7% of the gross receipts of the main or charter lines, with main trackage of 705.5 miles within the State, in lieu of all other taxes upon the charter lines. The property of roads acquired by the company since the granting of the charter act is assessed and taxed the same way as the property of other railroads.

Street railroads incorporated under the general railroad act are taxed in the same way as steam roads. Street railroads incorporated under the general corporation act are assessed by the State Board of Equalization upon the market value of their stocks and bonds, including franchise, deducting from this valuation the assessed value of all tangible property. The remainder is taxed at the rate of the general property tax at the principal office of the company. Tangible property is assessed and taxed locally under the general property tax.

**Indiana.**—The railroad track, appliances, and rolling stock of railroad companies are assessed by the State Tax Commissioners, and this valuation is apportioned to the counties and taxing districts, where the taxes are collected at the same rate and in the same manner as those upon property in the hands of individuals.

All real estate other than track and all personalty such as machinery in shops, ties, rails, and other supplies on hand are assessed and taxed locally under the general property tax.

**Iowa.**—Railroad companies are assessed by the State Council upon all property, including franchise, and this valuation is apportioned to the counties upon the basis of mileage, the taxes being collected at the same rate and in the same way as those upon the property of individuals.

The entire property of street railway companies is assessed and taxed in exactly the same manner as property in the hands of individuals is assessed and taxed. It is provided that the franchise of such companies shall not be assessed. The value of the shares of stock over and above the value of the assessed property of the company is assessed to the holders at the principal office of the company, the valuation being made by the assessor of the county in which such office is located.

**Kansas.**—The property of all railroad companies is assessed by the State Tax Commission and this valuation apportioned to the taxing districts upon the basis of mileage, the taxes being collected locally at the rate of the general property tax. Shares of stock of foreign companies having their principal office outside the State are taxed to the holders.

**Kentucky.**—Railroad companies are assessed by a State board upon the value of the franchise, which value is determined by subtracting from the value of the capital stock the value of all tangible property otherwise assessed. This franchise valuation is apportioned to the taxing districts where the franchise

is exercised and there taxed at the same rate as the property of individuals. All tangible property is assessed also by the State board and taxed locally under the general property tax. Domestic companies doing business entirely without the State pay a State tax of 1% upon the authorized amount of capital stock in lieu of all other taxes within the State. Shares of foreign companies not owning property within the State are taxed to the holders.

Street railway companies are taxed in the same way as railroad companies except that the assessment of tangible property is made by local officers and not by the State board.

**Louisiana.**—Railroad companies are taxed upon all their property, including franchises, as assessed by the State Board of Appraisers, the valuation being apportioned to the parishes and municipalities where the taxes are collected at the same rate as those upon property in the hands of individuals.

Street railway companies are subject to the same ad valorem taxes as steam roads, and in addition pay a license tax of 3-8 of 1% upon gross earnings within the State. Municipal license taxes based upon gross receipts are also allowed.

**Maine.**—Railroad companies are taxed by the State upon their gross receipts within the State at a rate of  $\frac{1}{2}$  of 1% if the receipts do not exceed \$1,500 per mile, the rate increasing  $\frac{1}{4}$  of 1% for each additional \$500 of receipts per mile, provided that in no case shall the rate exceed  $5\frac{1}{2}$ %. This tax is apportioned to the cities and towns in which owners of stock reside as follows: 1% of the value of stock owned in said cities and towns, with provision that the amount apportioned shall not be a greater part of the whole tax received than the proportion which stock owned in the State bears to the total amount of stock, and provided that the amount so apportioned shall not exceed the total amount received from the tax upon the receipts. The remainder of the tax is retained by the State. Buildings, whether within or without the right of way, and lands and fixtures without the right of way are not considered operative property and are taxed where located as the property of individuals is taxed.

Street railway companies are taxed upon their gross receipts within the State at a rate of  $\frac{1}{4}$  of 1% if the receipts do not exceed \$1,000 per mile, the rate increasing 3-20 of 1% for each additional \$1,000 or fraction thereof of receipts per mile, but in no case to exceed 4%. The tax is apportioned in the same way as the tax upon railroad companies.

**Maryland.**—Railroad companies are taxed by the State upon their gross receipts within the State at the following rates:  $1\frac{1}{4}$ % on the first \$1,000 of gross earnings per mile; 2% on earnings of \$1,000 to \$2,000 per mile;  $2\frac{1}{2}$ % on earnings of over \$2,000 per mile. Local taxes upon real and personal property tax in the same way as those upon the property of natural persons. The Baltimore and Ohio Railroad Company has a special contract with the State whereby it escapes the regular gross receipts tax, and pays instead a tax of  $\frac{1}{2}$  of 1% upon gross earnings in Maryland.

Street railway companies are assessed and taxed under the general property tax upon the value of all shares of capital stock and real property, the assessment of stock being made by the State Tax Commissioner and the valua-

tion apportioned to the counties where the holders reside. Shares of stock in foreign companies are taxed to the holders at the rate of 30 cents on each \$100, except in case no dividends have been paid, when such shares are exempt.

**Massachusetts.**—Railroad companies are taxed by the State upon the margin of intangible value found by deducting the assessed value of certain tangible property, which is taxed to the corporation by local units, from the cash value of so much of the capital stock as is proportional to that part of its line within the State, determined on the basis of miles of line. This tax is at a rate equal to the average of the rates of the general property tax for the three preceding years. Such a proportion of the tax as corresponds to the proportion of its stock owned by residents of the State is distributed to the towns in which the owners reside, and the remainder is retained by the State for its own use. The right of way is exempt from local taxation.

Street railway companies are subject to the corporate excess tax in the same way as railroad companies. In the case of street railways the tax is distributed to the local units upon the basis of location of track. In addition to the above tax, such companies are subject to a "commutation" tax imposed by local authorities on an amount equal to such proportion of designated percentage of gross receipts (including income from other sources than operation of road) as the length of track in the public places of the city or town bears to the total length of track in all public places. This tax, which is at the rate of the general property tax, is for the use of the towns. The designated percentages of gross receipts vary from 1% if the annual gross receipts per mile are \$4,000 or less to 3% if the gross receipts per mile are \$28,000 or more.

**Michigan.**—Railroad companies are taxed by the State at the average rate of the general property tax upon all property owned in the State, (except real estate not essential to the business and which is subject to local taxation, as assessed by the State Assessors). For the year 1912 and thereafter there is imposed by the State a tax upon the shares of capital stock of 2% of the par value and upon the indebtedness of 1% of the face value, which taxes are to be paid by the corporation and not by the holders of the stock and bonds.

Street railway companies are taxed upon all their property for State and local purposes under the general property tax, real estate being assessed at its situs and all personal property at the principal office of the company.

**Minnesota.**—Railroad companies are taxed by the State upon their gross earnings from operation at the rate of 5% in lieu of all other taxes. The gross earnings of companies doing an interstate business include a proportionate share, based upon mileage, of the interstate gross receipts from operation.

The property of street railway companies is assessed and taxed as that of individuals, stocks and bonds being assessed at market value. Shares of stock in foreign companies are taxed to the holders.

**Mississippi.**—Railroad companies are subject to taxation upon all their property as assessed by the State Board of Assessors, the valuation being apportioned to the taxing districts and taxed at the rate of the general property tax. They also pay a State privilege tax varying from \$2 to \$22.50 per mile,

according to the classification of track. Roads claiming exemption from State supervision under charter provisions, pay an additional \$10 per mile of track.

Street railways are subject to the same ad valorem taxes as steam roads, but pay a privilege tax of \$20 per mile of track.

**Missouri.**—Railroad companies are taxed upon all their property, including franchises, at the rate of the general property tax, the assessment being made by the State board and the valuation apportioned to the taxing districts where the tax is collected as that upon the property of natural persons. Local property is assessed by local officers. Shares in foreign companies are taxed to the holders at market value.

**Montana.**—The franchises, roadways, roadbeds, and rolling stock of all roads operating in more than one county are assessed by the State Board of Equalization; all other property by the assessors of the county in which such property is located. The valuation of the property assessed by the State Board is apportioned to the counties upon the basis of mileage and, together with the property assessed locally, taxed locally in the same manner as the property of individuals is taxed. In addition to these ad valorem taxes railroad companies are subject to State license fees based upon gross receipts, the fees varying from \$5 to \$225 per quarter according to the amount of receipts.

The property of street railway companies is assessed and taxed exactly as property in the hands of individuals. The capital stock and franchises are assessed at the principal office of the company and other property where situated. In addition to this ad valorem tax, such companies pay license fees, varying from \$25 to \$50 per quarter, according to population.

**Nebraska.**—Railroad companies are assessed by the State Board of Equalization upon all property, including franchises, except certain buildings and real and personal property outside the right of way, which property is assessed and taxed as that of individuals. The valuation made by the State Board is apportioned to the counties and taxing districts upon the basis of mileage and the taxes are collected at the same rate and in the same way as those upon the property of individuals. The railroad companies are also subject to the State tax upon capital stock, the fees of which range from \$5 to \$2,500.

Street railway companies are taxed locally under the general property tax upon all property and franchises. They are also subject to the State tax based upon the capital stock, the fees varying from \$5 to \$2,500.

**Nevada.**—Railroad companies are taxed upon all their property under the general property tax, the assessment being made by the State Board and the valuation apportioned to the taxing districts where the taxes are collected. Foreign companies are subject to retaliatory provisions.

**New Hampshire.**—Railroad companies are taxed upon all their property, including franchises, as assessed by the State Tax Commission, at the rate of the general property tax. This tax is distributed by the State Treasurer as follows:  $\frac{1}{4}$  of the amount paid by the corporation to each town in which railroad property is located in proportion to the amount of capital expended

therein for buildings and right of way; to each town in which owners of stock reside such proportion of residue as the number of shares owned therein bears to total number of shares; the remainder is retained by the State for its own use.

**New Jersey.**—Railroad companies are taxed upon all property, including franchise, as assessed by the State Board of Equalization, the tax being at the rate of the general property tax. The taxes collected upon real estate used for railroad purposes and roadbed other than main stem are apportioned to the districts in which such property is located. The taxes upon all other property used in the business are collected by the State for State and school purposes.

Street railways are taxed by the State for State use upon their gross receipts from business done within the State and a proportionate share of interstate earnings at the rate of 5%. In addition to this, all real and personal property is taxed under the general property tax.

**New Mexico.**—Railroad companies are assessed and taxed upon all their property as valued by the State Board of Equalization, the valuation being apportioned to the counties and municipalities and the taxes collected in the same way and at the same rate as those upon property in the hands of individuals.

**New York.**—Railroad companies are subject to a State tax upon gross earnings from business wholly within the State at the rate of  $\frac{1}{2}$  of 1%, and to a State franchise tax upon capital stock, the rates varying from  $\frac{1}{4}$  of a mill per \$1 for each 1% of dividends declared to  $1\frac{1}{2}$  mills on each \$1 of capital stock employed in the State, according to the amount of dividends declared. In addition to these taxes, such companies are assessed and taxed upon all tangible property in the same way as the property of individuals is taxed, this tax being for local use only. Foreign companies also pay an additional State license fee of  $\frac{1}{8}$  of 1% upon the capital stock employed in the State.

Elevated railway companies and surface railroads not operated by steam are taxed by the State upon their gross earnings within the State at the rate of 1% and upon dividends declared in excess of 4% on paid-up capital at the rate of 3%. In addition to these taxes such companies are assessed and taxed under the general property tax upon all tangible property and incorporeal rights, the valuation of special franchises being determined by the State Board of Tax Commissioners. Foreign companies also pay an additional state license fee of  $\frac{1}{8}$  of 1% upon the capital stock employed in the state.

**North Carolina.**—Railroad companies are assessed by the State Tax Commission upon all their property, including franchises and mortgages upon such property, the valuation being apportioned to the counties and taxing districts where the taxes are levied at the rate of the general property tax. In addition to the ad valorem taxes, such companies are taxed by the state upon their gross receipts at rates varying from \$2 to \$5 per mile of route, according to the amount of receipts.

**North Dakota.**—Railroad companies are taxed upon all their property under the general property tax, the assessment of real estate being made by

local and that franchise, roadway, roadbed, rails, and rolling stock by the State Board of Equalization. The valuation made by the State Board is apportioned to the counties upon the basis of mileage and the taxes collected locally. In unorganized counties the taxes are collected by the State Auditor for State use only.

**Ohio.**—Railroad companies are taxed by the state upon their gross earnings from interstate business at the rate of 4% and in addition to this are taxed upon all their property as assessed by the State Tax Commission, the valuation being apportioned to the taxing districts upon the basis of mileage and property operated and the taxes collected in the same way and at the same rate as those upon the property of natural persons.

Street railway companies are taxed in the same way as railroad companies except that the state tax upon gross earnings is at the rate of 1.2% for street railway companies instead of 4% as is the case for steam roads.

**Oklahoma.**—Railroad companies are taxed upon all their property under the general property tax, the assessments being made by either state or local officers. Shares of stock are taxed to the holders as personal property.

**Oregon.**—Railroad companies are taxed upon all their property under the general property tax. Shops, grain elevators and warehouses, and all real and personal property devoted to navigation are assessed where situated by local officers. All other property is assessed by the State Board and the valuation apportioned to the taxing districts upon the basis of mileage.

**Pennsylvania.**—Railroad companies are taxed by the state as follows: 5 mills on each \$1 actual value of capital stock; 8 mills on each \$1 of gross receipts from traffic wholly within the state; 4 mills on each \$1 of bonds owned within the state. The capital stock tax on interstate roads is computed on the basis of mileage. In addition to these state taxes, real, and personal property necessary to the business is taxed locally under the general property tax in Pittsburgh and Philadelphia, but such property is exempt elsewhere. The Erie Railroad Company pays a special state bonus of \$10,000 per annum, which bonus is distributed to the counties through which the line of the company passes, upon the basis of mileage.

**Rhode Island.**—Railroad companies are taxed by the state upon their gross earnings from operation within the state at the rate of 1% in lieu of all other taxes upon intangible personal property or corporate excess. Tangible personal property and real estate are assessed and taxed locally under the general property tax.

Street railway companies are subject to the same taxes as other railroads with these additional taxes: If the annual dividend paid by any such company during the year preceding assessment is 8%, on its capital stock outstanding during such year, or less than 8%, or if no dividend be paid, the franchise tax shall be 1% of the gross earnings; but if the dividend exceeds 8% the franchise tax shall be a sum equal to the excess of such dividend over 8%, but in no case shall the franchise tax be less than 1% of the gross earnings.

**South Carolina.**—Railroad companies are taxed by the State upon their gross receipts from business done within the State at the rate of 3 mills. In

addition to this they are taxed upon all property as assessed by the State Board of Assessors, the valuation being apportioned to the counties and taxing districts upon the basis of mileage and the taxes collected in the same way and at the same rate as those upon property in the hands of individuals.

**South Dakota.**—Railroad companies are taxed upon all their property at the rate of the general property tax as assessed by the State board, the valuation being apportioned to the counties upon the basis of mileage and the taxes collected locally in the same manner as those upon property in the hands of individuals. Shares of stock are taxed to the holders.

Street railway companies are taxed under the general revenue law only.

**Tennessee.**—Railroad companies are assessed and taxed upon all property under the general property tax; all property having an actual situs is assessed by local authorities in the district where such property is located; the roadbed, rolling stock, franchises and all personal property having no actual situs are assessed by the State Tax Commissioners, this valuation being apportioned to the counties and cities upon the basis of mileage. In the case of railroad companies the State's share of the taxes collected under the general property tax shall be paid directly to the State Comptroller, the remainder being collected by the taxing districts in the same way as the taxes upon the property of individuals are collected. Street railway companies also pay county license fees varying from \$3 to \$10 per mile according to population.

**Texas.**—Railroad companies are assessed by the State board upon all intangible property, the value being determined as that of the market value of capital stock plus all indebtedness secured by mortgage or lien, less the value of all tangible property. This valuation of intangible property is apportioned to the counties and taxing districts upon the basis of mileage and the taxes upon it collected at the same rate and in the same manner as those upon property in the hands of individuals. All tangible property of railroad companies is assessed and taxed as that of individuals.

Street railway companies are taxed by the State upon their gross receipts at the following rates: if in or connecting any town of less than 20,000 inhabitants, the rate is  $\frac{1}{2}$  of 1%; if more than 20,000 inhabitants,  $\frac{3}{4}$  of 1%; if wholly within a town of less than 10,000 inhabitants such companies are exempt from the gross receipts tax. In addition to this tax all such companies are taxed upon all their tangible property in the same manner as individuals.

**Utah.**—Railroad companies are taxed upon all their property, including franchises, under the general property tax, the assessment being made by the State Board and the valuation apportioned to the taxing units where the taxes are collected in the same way as those upon property in the hands of individuals. In addition to this tax, such companies are subject to a State license tax based upon the authorized amount of capital stock, the fees varying from \$5 to \$50. The property of railroad companies operating in only one county is assessed and taxed locally as property of individuals is taxed.

**Vermont.**—Railroad companies are assessed upon all their property, including franchise, by the State Commission and taxed by the State  $1\frac{1}{4}\%$

upon this valuation, or, in lieu of this tax they may pay a State tax upon gross earnings at the following rates:  $2\frac{1}{2}\%$  on such part of gross earnings as does not exceed \$2,000 per mile of roadbed located wholly within the State;  $2\frac{3}{4}\%$  on such part of gross earnings as exceeds \$2,000 and does not exceed \$2,500 per mile, the rate increasing  $\frac{1}{4}$  of 1% for each additional increase of \$500 per mile, up to \$4,500 per mile, and 4% of such part of earnings as exceeds \$4,500 per mile. Railroad companies are also subject to the State license tax upon capital stock, the fees varying from \$10 to \$50.

**Virginia.**—Railroad companies are subject to the State property tax upon all property as assessed by the State Corporation Commission, the rate of taxation being 35 cents on \$100, and are also taxed by the State upon intra-state gross receipts at the rate of 1%. Local taxation of tangible property is allowed. Shares of stock in foreign companies are taxed to the holders.

**Washington.**—Railroad companies and street railway companies are assessed upon all their property, including franchise, by the State Board of Tax Commissioners, the valuation being apportioned to the counties and taxing districts upon the basis of mileage and the taxes collected at the same rate and in the same manner as those upon property in the hands of individuals.

**West Virginia.**—Railroad companies are taxed upon all their property at the rate of the general property tax, the assessment being made by the State board and the taxes collected by the State Auditor who apportions the funds to the various taxing districts. These companies are also subject to the State license fee on the authorized amount of capital stock, the amounts varying from \$10 if the stock is \$5,000 or less to \$170 if the stock is \$1,000,000, with an additional fee of \$60 on each million dollars or fraction thereof in excess of one million.

**Wisconsin.**—Railroad companies are taxed upon all their property, including franchises, by the State at the rate of the general property tax as determined by the State Tax Commission. Eightyfive per cent of this tax is distributed to the local taxing districts in proportion to the business transacted and property located therein.

**Wyoming.**—All property of railroad companies is assessed by the State Board and the valuation apportioned to the various taxing districts where the taxes are collected at the same rate and in the same way as those upon property in the hands of individuals. Local assessment and taxation by incorporated towns, villages, and cities are allowed.

## II. EXPRESS COMPANIES

**Alabama.**—Express companies are taxed upon all their property locally under the general property tax in the same way as individuals are taxed; in addition to this they are subject to a State privilege tax based upon the number of miles of railroad over which they operate; companies operating on less than 50 miles of railroad pay an annual tax of \$250, those operating on from 50 to 200 miles, \$1,000; those operating on from 200 to 500 miles, \$2,000; over 500 miles, \$4,000. Municipal taxes, varying from \$2.50 to \$500 according

to population, are also allowed. Express companies are also subject to the State corporation license tax upon stock, bonds, and earnings, at the rate of the general property tax.

**Arizona.**—Express companies are taxed by the State upon their gross receipts from business done within the State at the rate of 5%, in lieu of all other taxes upon the property of such companies.

**Arkansas.**—Express companies are taxed by the State 1-20 of 1% upon the amount of capital stock and also upon the market value of the stocks and bonds as assessed by the State Commission. The valuation of the Commission is apportioned to the taxing units on the basis of mileage and the taxes collected at the rate of the general property tax.

**California.**—Express companies are taxed by the State upon their gross receipts from operation at the rate of 2% (since increased) in lieu of all other taxes. The gross receipts of companies doing an interstate business are deemed to be all receipts on business beginning and ending within the State and a proportion, based upon mileage, of the receipts from business passing through, into, or out of the State.

**Colorado.**—The total property of express companies is assessed by the State Tax Commission and the valuation apportioned to the counties and taxing districts upon the basis of mileage, the taxes being collected locally at the same rate and in the same way as those upon property in the hands of individuals. Such companies also pay a State license tax of 2 cents on each \$1,000 of authorized capital stock.

**Delaware.**—Express companies are taxed by the State upon their gross receipts from business done within the State at the rate of 5%, and pay an annual State license fee of \$250. In addition to these State taxes they are subject to taxation by the local units upon all their property under the general property tax.

**District of Columbia.**—Express companies are taxed by the District upon all their property under the general property tax.

**Florida.**—Express companies are taxed upon all their assets under the general property tax. In addition to this, such companies are subject to a State license tax of \$7,500 and municipal license taxes based upon population, the fees varying from \$6 to \$200. Shares of stock are taxable to the holders.

**Georgia.**—Express companies are assessed by the State Comptroller upon the total amount of their property, including indebtedness and franchises; this valuation is apportioned to the local taxing units and the tax collected in the same way and at the same rate as that upon property in the hands of individuals. Such companies are also subject to a State license tax upon the authorized amount of capital stock, the fees varying from \$5 to \$75.

**Idaho.**—In addition to the State license taxes upon the authorized amount of capital stock (fees varying from \$10 to \$150) express companies are taxed by the State upon their gross receipts at the rate of 3%.

**Illinois.**—Domestic express companies are assessed by the State Board of Equalization upon the market value of their stocks and bonds, including the value of the franchise, deducting from this valuation the assessed value of all tangible property. The remainder is taxed at the rate of the general property tax at the principal office of the company. Real and personal property is assessed and taxed locally under the general property tax.

Foreign companies are assessed and taxed upon tangible property only, in the same way as domestic companies. Shares of stock of foreign companies are taxed to the holders.

**Indiana.**—Express companies are assessed by the State Tax Commissioners upon the market value of their stocks and bonds as representing the value of the entire property of the companies. This valuation is apportioned to the counties and townships and the taxes collected at the rate of the general property tax. In addition to this tax all real estate, machinery, structures and appliances are taxed by the local units in the same way as property of individuals is taxed.

**Iowa.**—Express companies are assessed by the State Council upon all property, including franchise and indebtedness, and this valuation is apportioned to the counties upon the basis of mileage, the taxes being collected at the same rate and in the same manner as those upon the property of individuals. In addition to this, all real estate, machinery, etc. is taxed by the local taxing districts in exactly the same way as the property of individuals.

**Kansas.**—Express companies are taxed by the State on their gross receipts from business done within the State at the rate of 4%, the gross receipts being considered as the actual receipts of the companies less amounts paid railroad companies for transportation. In addition to this tax all tangible property is assessed by the State Tax Commission and the valuation certified to the taxing districts where the property has its situs and there taxed at the rate of the general property tax. Municipal license taxes are allowed. Shares of stock of foreign corporations whose principal office is without the State are taxed to the holders.

**Kentucky.**—Express companies are assessed by a State Board upon the value of the franchise, which value is determined by subtracting from the value of the capital stock the value of all tangible property otherwise assessed. This franchise valuation is apportioned to the taxing districts where the franchise is exercised and there taxed at the same rate as property in the hands of individuals. All tangible property is assessed and taxed by local officers under the general property tax. Domestic companies doing business entirely without the State pay a State tax of 1% upon the authorized amount of capital stock in lieu of all other taxes within the State. Shares of foreign companies not owning property within the State are taxed to the holders.

**Louisiana.**—Express companies are taxed upon all their property, including franchises, as assessed by the State Board of Appraisers, the valuation being apportioned to the parishes and municipalities where the taxes are collected at the same rate as those upon property in the hands of individuals. Foreign companies are also subject to a license tax of \$10 on each \$1,000 of

gross receipts within the State; domestic companies pay license fees based upon gross receipts within the State, the amounts varying from \$20 to \$6,250 according to the amount of receipts.

**Maine.**—Express companies are taxed by the State upon their gross receipts from business done wholly within the State and a proportional part (based on mileage) of the receipts from business coming from other States or countries into the State and from business going from this to other States or countries at the rate of 4%. Such companies are also subject to municipal taxes upon real estate. Shares of stock are taxed to the holders.

**Maryland.**—Express companies are taxed by the State upon their gross receipts within the State at the rate of 2½%; the capital stock is assessed by the State Tax Commissioner, the valuation being apportioned to the counties where the holders reside and there taxed in the names of the holders, the corporation paying the tax, which is at the rate of the general property tax. All real estate is taxed as that of individuals.

**Massachusetts.**—From the market value of stocks, bonds, and such part of the unfunded debt as was incurred for construction, permanent equipment or improvement is deducted the value of all real and personal property subject to local taxation and securities not liable to taxation, and the remainder is taxed by the State at a rate equal to the average of the rates of the general property tax for the three preceding years. The proportion to be taxed in the case of interstate companies is determined upon the basis of gross receipts. Shares of stock in foreign express companies are taxed to the holders at cash value.

Domestic business corporations organized to carry on express business are taxed upon their corporate excess as domestic business corporations, not as express companies.

**Michigan.**—Express companies are taxed by the State upon all property as assessed by the State Assessors, the taxes to be at the rate of the general property tax. All companies whose gross receipts are less than \$500 per annum are exempt.

**Minnesota.**—Express companies are taxed by the State upon their gross earnings from intra-state operations at the rate of 6% (now 8%) in lieu of all other taxes. In determining the gross earnings the express privileges are deducted from the gross receipts.

**Mississippi.**—Express companies are subject to taxation upon all their property as assessed by the State Board of Assessors, the valuation being apportioned to the taxing districts and taxed at the rate of the general property tax. They are also subject to State privilege taxes as follows: on each company \$500.00 and \$5 per mile of first class railroad track in the State over which goods are transported; \$3 per mile of second class track; and \$2 per mile of all other track.

**Missouri.**—Express companies are taxed by the State upon their gross receipts from business done within the State at the rate of 1¼%, in addition to local taxation upon property under the general property tax.

**Montana.**—The tangible property of express companies is assessed and taxed exactly as property in the hands of individuals. In addition to this ad valorem tax, such companies are subject to State license fees based upon gross receipts, the amounts varying from \$5 to \$225 per quarter according to the amount of the receipts.

**Nebraska.**—Express companies are taxed locally under the general property tax upon all real estate, tangible property, and franchises. They are also subject to the State tax based upon the authorized amount of capital stock, the fees varying from \$5 to \$2500. [By legislation enacted in 1913, express companies are not subject to the occupation tax based on capital stock, but to one based on gross earnings.]

**Nevada.**—Express companies are taxed upon their property at the rate of the general property tax. The total cash value of all property and franchises shall not be assessed as less than the largest amount on which the net profit of the company for the year previous to assessment will pay interest or dividends at the rate of 8%. In computing the net profit the annual deterioration is to be allowed as an expense. Foreign corporations are subject to retaliatory provisions.

**New Hampshire.**—Express companies are taxed upon all their property, including franchises by the State, the assessment being made by the State Tax Commission and the rate of taxation being fixed by such Commission at a rate as nearly as possible equal to that of the general property tax.

**New Jersey.**—Express companies are taxed by the State upon their gross receipts from business done within the State and a proportionate share of interstate earnings at the rate of 2%. In addition to this tax all tangible property is assessed and taxed as the property of individuals.

**New Mexico.**—Express companies are taxed by the State upon their gross earnings from business done within the State at the rate of 2%. Express privileges are deducted from gross receipts in determining gross earnings. One-half of the tax is distributed to the counties upon the basis of business done, and one-half retained by the State. In addition to this tax upon gross earnings all tangible property is taxed under the general property tax, the valuation being made by the State Board of Equalization and then apportioned to the counties.

**New York.**—Express companies are subject to a State tax upon gross earnings from business wholly within the State at the rate of  $\frac{1}{2}$  of 1%, and to a State franchise tax upon capital stock, the rates varying from  $\frac{1}{4}$  of a mill per \$1 for each 1% of dividends declared to  $1\frac{1}{2}$  mills on each \$1 of capital stock employed in the State, according to the amount of dividends declared. In addition to these taxes, express companies are assessed and taxed upon all tangible property in the same way as the property of individuals is taxed, this tax being for local use only. Foreign companies also pay an additional State license fee of  $\frac{1}{8}$  of 1% upon the capital stock employed in the State.

**North Carolina.**—Express companies are assessed by the State Tax Commission upon all their property, including franchises and mortgages upon

such property, the valuation being apportioned to the counties and taxing districts where the taxes are levied at the rate of the general property tax. In addition to these ad valorem taxes, such companies are taxed by the State upon their gross receipts from business wholly within the State at the rate of  $2\frac{1}{2}\%$  and municipal privilege taxes based upon population, the fees varying from \$2.50 to \$50, are allowed.

**North Dakota.**—Express companies are taxed upon all their property under the general property tax, the assessment of real estate being made by local officers and that of other property by the State Board of Equalization. The valuation made by the State Board is apportioned to the counties upon the basis of mileage and the taxes collected locally. In unorganized counties the taxes are collected by the State Auditor for State use only.

**Ohio.**—Express companies are taxed by the State upon their gross receipts from intra-state business at the rate of 2%. In addition to this they are taxed upon the market value of their capital stock (less real estate locally taxed) as determined by the State Tax Commission, and upon all real estate as assessed by local officers. The valuation of the stock is apportioned to the counties and the taxes upon it, as well as those upon real estate, are collected in the same way and at the same rate as those upon property in the hands of individuals.

**Oklahoma.**—Express companies are taxed upon all their property under the general property tax, the assessments being made by either State or local officers. Intra-state companies are taxed in addition to this 3% upon their gross receipts from operation.

**Oregon.**—Express companies are taxed under the general property tax upon all their property as assessed by the State Board, the valuation being apportioned to the counties and the taxes collected in the same way as those upon property in the hands of individuals.

**Pennsylvania.**—Express companies are taxed by the State as follows: 5 mills on each \$1 actual value of capital stock; 8 mills on each \$1 of gross receipts from traffic wholly within the State; 4 mills on each \$1 of bonds owned within the State. In addition to these State taxes, real and personal property necessary to the business is taxed locally under the general property tax in Pittsburgh and Philadelphia, but such property is exempt elsewhere.

**Rhode Island.**—Express companies are taxed by the State upon their gross receipts from operation within the State at the rate of 3% in lieu of all other taxes on intangible personal property or corporate excess and in lieu of all other taxation on personal property used in the business. Real estate is taxed as that of individuals.

**South Carolina.**—Express companies are taxed by the State upon their gross receipts from business within the State at the rate of 3 mills. In addition to this they are assessed by the State Board of Assessors upon the market value of their capital stock plus mortgages, this valuation being apportioned to the counties and taxing districts, where the taxes are collected at the same rate and in the same way as those upon property in the hands of individuals.

**South Dakota.**—Express companies are taxed upon all their property at the rate of the general property tax as assessed by the State board in lieu of all other taxes upon the property of such companies, the tax being paid to the State treasurer, and distributed to the counties upon the basis of the property of such companies situated therein. Shares of stock are taxed to the holders.

**Tennessee.**—Express companies are taxed under the general property tax upon all property, which property shall not be assessed at less than the cash value of both shares of stock and bonded debt. In addition such companies, are subject to a State license tax of \$1,000 if the lines are less than 100 miles in length and \$2,500 if the lines are more than 100 miles.

**Texas.**—Express companies are taxed by the State upon their gross receipts at the rate of  $2\frac{1}{2}\%$ , and are also subject to a franchise tax upon the amount of capital stock, surplus and undivided profits, the rates of which tax are 50 cents on each \$1,000 up to \$1,000,000 and 25 cents on each \$1,000 in excess of \$1,000,000 for domestic companies; foreign companies pay \$1 on each \$1,000 up to \$100,000 and \$2 on each \$5,000 in excess of \$100,000 and \$2 on each \$20,000 in excess of \$1,000,000. In addition to these taxes such companies are assessed locally upon all their property under the general property tax.

**Utah.**—Express companies are taxed upon all their property, including franchises, under the general property tax, the assessment being made by the State Board and the valuation apportioned to the taxing units where the taxes are collected in the same way as those upon property in the hands of individuals. In addition to this tax, such companies are subject to a State license tax based upon the authorized amount of capital stock, the fees varying from \$5 to \$50. The property of express companies operating in only one county is assessed and taxed locally as property of individuals is taxed.

**Vermont.**—Express companies are taxed by the State at the rate of \$8 per mile of lines over which matter was transported. They are exempt from local taxation upon property used in the business. Shares of stock in such companies are assessed and taxed to the holders. Express companies are also subject to the State license tax upon capital stock, the fees varying from \$10 to \$50.

**Virginia.**—Express companies are subject to the State property tax upon all property as assessed by the State Corporation Commission, the rate being 35 cents on \$100. In addition to this such companies are taxed by the State \$6 per mile of route within the State. Local property and license taxes are allowed. Shares of stock are taxed to the holders.

**Washington.**—All tangible property of express companies is assessed and taxed as property in the hands of individuals. In addition to these ad valorem taxes express companies are taxed by the State upon their gross receipts within the State at the rate of 5%.

**West Virginia.**—All express companies are taxed upon all their property under the general property tax, the assessment being made by the State Auditor

and the valuation apportioned to the taxing districts. In addition to this tax all companies pay a license fee of \$1.50 per mile of route within the State, and domestic companies also pay a franchise tax upon the amount of authorized capital stock, the fees varying from \$10 if the stock is \$5,000 or less to \$170 if the stock is \$1,000,000 with an additional fee of \$60 on each million dollars or fraction thereof in excess of one million.

**Wisconsin.**—Express companies are taxed upon all their property, including franchises, by the State at the rate of the general property tax as determined by the State Tax Commission.

**Wyoming.**—Express companies are taxed by the State 5% upon gross receipts in lieu of all other taxes. One-half of this tax is retained by the State for State use and the other half apportioned to the counties upon the basis of mileage.

### III. TELEPHONE COMPANIES

**Alabama.**—The State Board of Assessment values all the property of telephone companies, and this valuation is apportioned among the counties and municipalities on the basis of mileage. Taxes are then collected on this valuation at the same rate and in the same manner as those imposed on property in the hands of individuals.

In addition to the property tax as described above, telephone companies doing a long distance business are subject to a State privilege tax at the following rates: Companies whose lines do not exceed 150 miles in length within the State, a tax of \$1.00 per mile; companies whose lines are over 150 miles in length within the State, \$1.00 per mile of wire and also a fee of \$500. There is also a tax called franchise tax based upon stock, bonds and earnings, the rate being that of the general property tax.

**Arizona.**—Telephone companies are taxed under the general property tax, the assessment being made by the State Board of Equalization and the valuation apportioned to the counties and taxing units, where the taxes are collected in the same way and at the same rate as those upon property in the hands of individuals.

**Arkansas.**—Telephone companies are subject to a State franchise tax of 1-20 of 1% upon the amount of capital stock in addition to an ad valorem tax on the market value of the stocks and bonds as assessed by the State Commission. The portion of the valuation representing pole mileage is apportioned to the local taxing units where the taxes are collected at the rate of the general property tax. The valuation representing the value of stations is apportioned to the taxing units in which the stations are located and there taxed at the rate of the general property tax.

**California.**—Telephone companies are taxed by the State upon their gross receipts from operation at the rate of  $3\frac{1}{2}\%$  in lieu of all other taxes. The gross receipts of companies doing an interstate business are deemed to be all receipts on business beginning and ending within the State and a proportion, based upon mileage, of the receipts from business passing through, into, or out of the State.

**Colorado.**—The total property of telephone companies is assessed by the State Tax Commission and the valuation apportioned to the counties and taxing districts upon the basis of mileage, the taxes being collected locally at the same rate and in the same way as those upon property in the hands of individuals. Such companies also pay a State license tax of 2 cents on each \$1,000 of authorized capital stock.

**Delaware.**—Telephone companies are subject to a State tax of 60 cents per mile for the longest wire in the State, 30 cents per mile for the next longest, and 20 cents per mile for every other wire, and 25 cents on each transmitter. In addition to these State taxes, such companies are subject to the general property tax assessed and collected locally.

**District of Columbia.**—Telephone companies are taxed by the District at the rate of 4% upon their gross earnings within the District and in addition to this they are taxed on their realty, including overhead wires and supporting poles, under the general property tax.

**Florida.**—Telephone companies are subject to taxation under the general property tax upon all assets. In addition to this, systems having 100 or more instruments operating in the State pay a State license tax of 12½ cents on each instrument, provided that in no case shall the total tax exceed \$200, and provided that in towns of less than 2,000 inhabitants such license tax shall not exceed \$15. Shares of stock are taxable to the holder.

**Georgia.**—Telephone companies are assessed by the State Comptroller upon the total amount of their property, including indebtedness and franchises; this valuation is apportioned to the local taxing units and the tax collected in the same way and at the same rate as that upon property in the hands of individuals. Such companies are also subject to a State license tax upon the authorized amount of capital stock, the fees varying from \$5 to \$75.

**Idaho.**—Telephone companies are assessed by the State Board of Equalization upon all their property, this valuation being apportioned to the counties upon the basis of mileage, and the taxes collected at the same rate and in the same way as those upon property in the hands of individuals. In addition to this, there is a State license tax upon the authorized amount of capital stock, the fees varying from \$10 to \$150 according to the amount of stock.

**Illinois.**—Domestic telephone companies are assessed by the State Board of Equalization upon the market value of their stocks and bonds, including the value of the franchise, deducting from this valuation the assessed value of a tangible property. The remainder is taxed at the rate of the general property tax at the principal office of the company. Real and personal property is assessed and taxed locally under the general property tax.

Foreign companies are assessed and taxed upon tangible property only, in the same way as domestic companies. Shares of stock of foreign companies are taxed to the holders.

**Indiana.**—Telephone companies are assessed by the State Tax Commissioners upon the market value of their stocks and bonds as representing the value of the entire property of the companies. This valuation is apportioned

to the counties and townships and the taxes collected at the same rate and in the same manner as those imposed upon property in the hands of individuals. In addition to this tax all real estate of such companies is taxed by the local taxing units in the same way as property of individuals is taxed.

**Iowa.**—Telephone companies are assessed by the State Council upon all property, including franchise, and this valuation is apportioned to the counties upon the basis of mileage, the taxes being collected at the same rate and in the same manner as those upon the property of individuals.

**Kansas.**—All property of interstate and intercounty telephone companies is assessed by the State Tax Commission and this valuation apportioned to the taxing districts upon the basis of mileage, the taxes being collected locally at the rate of the general property tax. Telephone companies doing business in any one county are assessed and taxed upon their property exactly as the property of individuals is taxed. Municipal license taxes upon all companies are allowed. Shares of stock of foreign companies having their principal office outside the State are taxed to the holders.

**Kentucky.**—Telephone companies are assessed by a State board upon the value of the franchise, which value is determined by subtracting from the value of the capital stock the value of all tangible property otherwise assessed. This franchise valuation is apportioned to the taxing districts where the franchise is exercised and there taxed at the same rate as the property of individuals. All tangible property is assessed and taxed by local officers under the general property tax. Domestic companies doing business entirely without the State pay a State tax of 1% upon the authorized amount of capital stock in lieu of all other taxes within the State. Shares of foreign companies not owning property within the State are taxed to the holders.

**Louisiana.**—The entire property of telephone companies, including franchises, is valued by the State Board of Appraisers and this valuation apportioned to the parishes and municipalities where the taxes are collected at the same rate as those upon property in the hands of individuals. Foreign companies are also subject to a license tax of \$5 on each \$1,000 of gross earnings within the State. Domestic companies pay license taxes based upon gross receipts within the State, the fees varying from \$20 to \$6,250, according to the amount of receipts.

**Maine.**—Telephone companies are taxed by the State upon their gross receipts from business wholly within the State, the rates varying from 1½% to 6% according to the amount of the receipts. This tax is apportioned to the cities and towns in which owners of stock reside as follows: 1% of the value of stock owned in cities and towns, with provision that the amount apportioned shall not be a greater part of the whole tax received than the proportion which stock owned within the State bears to the total amount of stock, and provided that the amount so apportioned shall not exceed the total amount received from the tax upon the receipts. The remainder of the tax is retained by the State.

**Maryland.**—Telephone companies are taxed by the State upon their gross receipts within the State at the rate of 2%; the capital stock is assessed

by the State Tax Commissioner and the valuation apportioned to the counties where the holders reside and there taxed in the name of the holders, the corporation paying the tax, which is at the rate of the general property tax. All real estate is taxed as that of individuals.

**Massachusetts.**—Telephone companies are taxed by the State upon the margin of intangible value found by deducting the assessed value of certain tangible property, which is taxed to the corporation by local units, from the cash value of so much of the capital stock as is proportioned to that part of its line within the State, determined on the basis of the number of instruments within and without the State. This tax upon corporate excess is at a rate equal to the average of the rates of the general property tax for the three preceding years. Works, structures, real estate, machinery, conduits, wires and pipes are assessed and taxed locally as property of individuals is taxed.

**Michigan.**—Telephone companies whose receipts are less than \$500 are exempt. If the gross receipts within the State exceed \$500, the property of telephone companies is assessed by the State board and taxed at the rate of the general property tax.

**Minnesota.**—Telephone companies are taxed by the State upon their gross earnings from operation at the rate of 3% in lieu of all other taxes. The gross earnings of companies doing an interstate business include a proportionate share, based upon mileage, of the interstate gross receipts from operation.

**Mississippi.**—Telephone companies are subject to taxation upon all their property as assessed by the State Board of Assessors, the valuation being apportioned to the taxing districts and taxed at the rate of the general property tax. They are also subject to various privilege taxes, those upon exchanges varying from \$2.50 to \$100 according to the number of subscribers, and those upon long distance companies operating less than 1,000 miles pole line, from 5 cents to 25 cents per mile of pole line, according to the number of miles of such line. Long distance companies operating 1,000 miles or more of line pay a tax of \$250. Municipal privilege taxes are allowed upon exchanges only.

**Missouri.**—Telephone companies are taxed upon all their property, including the franchises, at the rate of the general property tax, the assessment being made by the State board and the valuation apportioned to the counties and taxing districts where the tax is collected in the same manner as that upon the property of natural persons. Local property is assessed by local officers. Shares in foreign companies are taxed to the holders at market value.

**Montana.**—The property of telephone companies is assessed and taxed exactly like property in the hands of individuals. The capital stock and franchises are assessed at the principal office of the company and other property where it is situated. In addition to this ad valorem tax telephone companies are subject to county license fees, based upon population and varying from \$100 to \$400 a year.

**Nebraska.**—Telephone companies are taxed locally under the general property tax upon all property and franchises. They are also subject to the

State tax upon the authorized amount of capital stock, the fees varying from \$5 to \$2,500.

**Nevada.**—Telephone companies are taxed upon all their property under the general property tax, the assessment being made by the State Board and the valuation apportioned to the taxing districts where the taxes are collected. Foreign companies are subject to retaliatory provisions.

**New Hampshire.**—Telephone companies are taxed upon all their property, including franchises, by the State, the assessment being made by the State Tax Commission and the rate of taxation being fixed by such Commission at a rate as nearly as possible equal to that of the general property tax.

**New Jersey.**—Telephone companies are taxed by the State upon their gross receipts from business done within the State and a proportionate share of interstate earnings at the rate of 2%. In addition to this tax all tangible property is assessed and taxed as the property of individuals.

**New Mexico.**—Telephone companies are assessed and taxed upon all their property as valued by the State Board of Equalization, the valuation being apportioned to the counties and municipalities and the taxes collected in the same way and at the same rate as those property in the hands of individuals.

**New York.**—Telephone companies are subject to a State tax upon gross earnings from business wholly within the State at the rate of  $\frac{1}{2}$  of 1%, and to a State franchise tax upon capital stock, the rates varying from  $\frac{1}{4}$  of a mill per \$1 for each 1% of dividends declared to  $1\frac{1}{2}$  mills on each \$1 of capital stock employed in the State, according to the amount of dividends declared. In addition to these taxes, telephone companies are assessed and taxed upon all tangible property in the same way as the property of individuals is taxed, this tax being for local use only. Foreign companies also pay an additional State license fee of  $\frac{1}{8}$  of 1% upon the capital stock employed in the State.

**North Carolina.**—Telephone companies are assessed by the State Tax Commission upon all their property, including franchises and mortgages upon such property, the valuation being apportioned to the counties and taxing districts where the taxes are levied at the rate of the general property tax. In addition to the ad valorem taxes, such companies are taxed by the State upon their gross receipts from business within the State and a share of interstate earnings at the rate of  $2\frac{1}{2}$ %.

**North Dakota.**—Telephone companies are taxed upon all their property under the general property tax, the assessment of real estate being made by local officers and that of franchise, poles, and wire by the State Board of Equalization. The valuation made by the State Board is apportioned to the counties upon the basis of mileage, and the taxes collected locally. In unorganized counties the taxes are collected by the State Auditor for State use only.

**Ohio.**—Telephone companies are subject to a State excise tax based upon gross receipts from intra-state business at the rate of 1.2%. In addition to this they are taxed upon the market value of their capital stock (less real estate locally taxed) as determined by the State Tax Commission, and upon all real

estate as assessed by local officers. The valuation of the stock is apportioned to the counties and the taxes upon it, as well as those upon real estate, are collected in the same way, at the same rate, and for the same purposes as those upon property in the hands of individuals.

**Oklahoma.**—Telephone companies are taxed upon all their property under the general property tax, the assessments being made by either State or local officers. Intra-state companies are taxed in addition to this  $\frac{1}{2}$  of 1% upon their gross receipts from operation.

**Oregon.**—Telephone companies are taxed under the general property tax upon all their property as assessed by the State Board, the valuations being apportioned to the counties and the taxes collected in the same way as those upon property in the hands of individuals.

**Pennsylvania.**—Telephone companies are taxed by the State as follows: 5 mills on each \$1 actual value of capital stock; 8 mills on each \$1 of gross receipts from traffic wholly within the State; 4 mills on each \$1 of bonds owned within the State. In addition to these State taxes, real and personal property necessary to the business is taxed locally under the general property tax in Pittsburgh and Philadelphia, but such property is exempt elsewhere.

**Rhode Island.**—Telephone companies are taxed by the State upon their gross receipts from operation within the State at the rate of 2% in lieu of all other taxes on intangible personal property or corporate excess and in lieu of all other taxation on personal property used in the business. Real estate is taxed as that of individuals.

**South Carolina.**—Telephone companies are taxed by the State upon their gross receipts from business within the State at the rate of 3 mills. In addition to this they are assessed by the State Board of Assessors upon the market value of their capital stock plus mortgages, this valuation being apportioned to the counties and taxing districts where the taxes upon it are collected at the same rate and in the same way as those upon property in the hands of individuals.

**South Dakota.**—Telephone companies are taxed upon all their property, including franchises, as assessed by the State board, the valuation being apportioned to the various taxing districts and the taxes collected at the same rate and in the same manner as those upon property in the hands of individuals. Shares of stock are taxed to the holders.

**Tennessee.**—Telephone companies are assessed and taxed upon all their property under the general property tax; property having an actual situs is assessed by local officers, all other property by the State Tax Commissioners. The valuation made by the State Commissioners is apportioned to the counties and taxing districts and the taxes upon it, as well as those upon local property, collected in the same way as those upon property of individuals. In addition to these taxes, telephone companies are subject to State license taxes varying from 20 cents to 50 cents upon each instrument, according to population. Mutual companies not run for profit are exempt from this license tax.

**Texas.**—Telephone companies are taxed by the State upon their gross receipts from business within the State at the rate of  $1\frac{1}{2}\%$ , and are also subject to a franchise tax upon the amount of capital stock, surplus and undivided profits, the rates of which tax are 50 cents on each \$1,000 up to \$1,000,000 and 25 cents upon each \$1,000 in excess of \$1,000,000 for domestic corporations; foreign companies pay \$1 on each \$1,000 up to \$100,000 and \$2 on each \$5,000 above \$100,000 up to \$1,000,000 and \$2 on each \$20,000 in excess thereof. In addition to these taxes such companies are assessed locally upon all their property under the general property tax.

**Utah.**—Telephone companies are taxed upon all their property, including franchises, under the general property tax, the assessment being made by the State Board and the valuation apportioned to the taxing units, where the taxes are collected in the same way as those upon property of individuals. In addition to these taxes such companies pay a State license tax based upon the authorized amount of capital stock, the fees varying from \$5 to \$50. Property of telephone companies operating in only one county is assessed and taxed locally as property of individuals is taxed.

**Vermont.**—Telephone companies are taxed by the State upon their gross receipts collected within the State at the rate of 3% or, in lieu thereof, 40 cents upon each transmitter and 30 cents upon each mile of telephone wire in use in the State. Such companies are exempt from all local taxation on property used in the business. Telephone companies are also subject to the State license tax upon capital stock, the fees varying from \$10 to \$50.

**Virginia.**—Telephone companies are subject to the State property tax upon all property, the assessment being made by the State Corporation Commission and the rate of taxation being 35 cents on \$100. Tangible property is taxed locally under the general property tax. In addition to these ad valorem taxes such companies are taxed by the State upon their gross earnings within the State as follows: if the gross earnings do not exceed \$50,000 in cases where the pole mileage is not greater than 400 miles and where the company is not owned or controlled by a company whose receipts are in excess of \$50,000 per annum, the tax upon gross earnings is at the rate of 1%; if any one of the above conditions is not fulfilled, the tax is \$2 per mile of poles and 1% on the gross earnings up to \$50,000 and 2% on earnings in excess thereof. Local license taxes are also allowed. Mutual telephone companies are subject to the property taxes only. Shares of foreign companies are taxed to the holders.

**Washington.**—All the property, real and personal, of telephone companies is assessed and taxed in the same way as property in the hands of individuals.

**West Virginia.**—All telephone companies are taxed upon all their property as assessed by the State board, the rate of taxation being that of the general property tax. In addition to the above ad valorem tax all domestic companies pay a State license tax upon the authorized amount of capital stock, the fees varying from \$10 if the capital stock is \$5,000 or less to \$170 if the stock is \$1,000,000 with an additional fee of \$60 on each million dollars or fraction

thereof in excess of one million. Foreign companies pay a State license tax of \$1.00 per mile of wire between cities and towns (one line of wire counted), but not in local exchanges, the minimum tax being \$100.00.

**Wisconsin.**—Telephone companies are taxed by the State upon their gross receipts from both exchange and toll-line service wholly within the State and upon a proportionate amount, based upon mileage, of the receipts from interstate toll-line service at the following rates: 5% if such receipts equal or exceed \$500,000.00; 4% if from \$300,000.00 to \$500,000.00; 3% if from \$100,000.00 to \$300,000.00; and 2½% if below \$100,000.00. All receipts from toll-line business and 15% of exchange receipts are retained by the State for State use; 85% of exchange receipts are distributed to the taxing districts in which the exchanges are located.

**Wyoming.**—All property of telephone companies is assessed by the State board and the valuation apportioned to the various taxing districts, where the taxes are collected at the same rate and in the same way as those upon property in the hands of individuals. Local assessment and taxation by incorporated towns, villages, and cities is allowed.

#### IV. TELEGRAPH COMPANIES

**Alabama.**—The State Board of Assessment values all the property of telegraph companies and this valuation is apportioned among the counties and municipalities on the basis of mileage. The taxes are collected on this valuation at the same rate and in the same manner as those on property in the hands of individuals. In addition to the property tax as described above, telegraph companies doing a long distance business are subject to a State privilege tax at the following rates: companies whose lines do not exceed 150 miles in length within the State, a tax of \$1.00 per mile; companies whose lines are over 150 miles in length within the State, \$1.00 per mile and also a fee of \$500. There is also a tax called "franchise tax" based upon stock, bonds and earnings, the rate being that of the general property tax.

**Arizona.**—Telegraph companies are taxed under the general property tax, the assessment being made by the State Board of Equalization and the valuation apportioned to the counties and taxing units, where the taxes are collected in the same way and at the same rate as those upon property in the hands of individuals.

**Arkansas.**—Telegraph companies are taxed by the State 1-20 of 1% upon the amount of capital stock and also upon the market value of the stocks and bonds as assessed by the State Commission. The valuation of the Commission is apportioned to the taxing units on the basis of mileage and the taxes collected at the rate of the general property tax.

**California.**—Telegraph companies are taxed by the State upon their gross receipts from operation at the rate of 3½% (now increased) in lieu of all other taxes. The gross receipts of companies doing an interstate business are deemed to be all receipts on business beginning and ending within the State and a proportion, based upon mileage, of the receipts from business passing through, into, or out of the State.

**Colorado.**—The total property of telegraph companies is assessed by the State Tax Commission and the valuation apportioned to the counties and taxing districts upon the basis of mileage, the taxes being collected locally at the same rate and in the same way as those upon property in the hands of individuals. Such companies also pay a State license tax of 2 cents on each \$1,000 of authorized capital stock.

**Delaware.**—Telegraph companies are subject to a State tax of 60 cents per mile for the longest wire in the State, 30 cents per mile for the next longest and 20 cents per mile for every other wire. In addition to these taxes, such companies are subject to the general property tax assessed and collected locally.

**District of Columbia.**—Telegraph companies are taxed by the District upon all their property under the general property tax.

**Florida.**—Telegraph companies are subject to taxation under the general property tax upon all assets. In addition to this, such companies pay a State license tax of 50 cents per mile of wire, one-half of which tax is distributed to the counties on the basis of line mileage, and one-half retained by the State. Shares of stock are taxable to the holders.

**Georgia.**—Telegraph companies are assessed by the State Comptroller upon the total amount of their property, including indebtedness and franchises; this valuation is apportioned to the local taxing units and the tax collected in the same way and at the same rate as that upon property in the hands of individuals. Such companies are also subject to a State license tax upon the authorized amount of capital stock, the fees varying from \$5 to \$75.

**Idaho.**—Telegraph companies are assessed by the State Board of Equalization upon all their property, this valuation being apportioned to the counties upon the basis of mileage, and the taxes collected at the same rate and in the same way as those upon property in the hands of individuals. In addition to this, there is a State license tax upon the authorized amount of capital stock, the fees varying from \$10 to \$150 according to the amount of stock.

**Illinois.**—Domestic telegraph companies are assessed by the State Board of Equalization upon the market value of their stocks and bonds, including the value of the franchise, deducting from this valuation the assessed value of all tangible property. The remainder is taxed at the rate of the general property tax at the principal office of the company. Real and personal property is assessed and taxed locally under the general property tax.

Foreign companies are assessed and taxed upon tangible property only, in the same way as domestic companies. Shares of stock of foreign companies are taxed to the holders.

**Indiana.**—Telegraph companies are assessed by the State Tax Commissioners upon the market value of their stocks and bonds as representing the value of the entire property of the companies. This valuation is apportioned to the counties and townships and the taxes collected at the rate of the general property tax. In addition to this tax all real estate of such companies is taxed by the local units in the same way as property of individuals is taxed.

**Iowa.**—Telegraph companies are assessed by the State Council upon all property, including franchises, and this valuation is apportioned to the counties upon the basis of mileage, the taxes being collected at the same rate and in the same way as those upon the property of individuals.

**Kansas.**—All property of telegraph companies is assessed by the State Tax Commission and this valuation apportioned to the taxing districts upon the basis of mileage, the taxes being collected locally at the rate of the general property tax. Municipal license taxes are allowed. Shares of stock of foreign companies having their principal office outside the State are taxed to the holders.

**Kentucky.**—Telegraph companies are assessed by a State Board upon the value of the franchise, which value is determined by subtracting from the value of the capital stock the value of all tangible property otherwise assessed. This franchise valuation is apportioned to the taxing districts where the franchise is exercised and there taxed at the same rate as property in the hands of individuals. All tangible property is assessed and taxed by local officers under the general property tax. Domestic companies doing business entirely without the State pay a State tax of 1% upon the authorized amount of capital stock in lieu of all other taxes within the State. Shares of foreign companies not owning property within the State are taxed to the holders.

**Louisiana.**—Telegraph companies are taxed upon all their property, including franchises, as assessed by the State Board of Appraisers, the valuation being apportioned to the parishes and municipalities, where the taxes are collected at the same rate as those upon property in the hands of individuals. Foreign companies are also subject to a license tax of \$3 on each \$1,000 of gross earnings within the State. Domestic companies pay license fees based upon gross receipts within the State, the amounts varying from \$20 to \$6,250 according to the amount of receipts.

**Maine.**—Telegraph companies are taxed upon their gross receipts from business within the State, the rate of the tax varying from  $1\frac{1}{4}\%$  to 6% according to the amount of receipts. This tax is apportioned to the cities and town in which owners of stock reside as follows: 1% of the value of stock owned in cities and towns with provision that the amount apportioned shall not be a greater part of the whole tax received than the proportion which stock owned within the State bears to the total amount of stock and provided that the amount so apportioned shall not exceed the amount received from the tax upon receipts. The remainder of the tax is retained by the State.

**Maryland.**—Telegraph companies are taxed by the State upon their gross receipts within the State at the rate of  $2\frac{1}{2}\%$ ; the capital stock is assessed by the State Tax Commissioner and the valuation apportioned to the counties where the holders reside and there taxed in the names of the holders, the corporation paying the tax, which is at the rate of the general property tax. All real estate is taxed as that of individuals.

**Massachusetts.**—Telegraph companies are taxed by the State upon the margin of intangible value found by deducting the assessed value of certain

tangible property, which is taxed to the corporation by local units, from the cash value of so much of the capital stock as is proportional to that part of its line within the State, determined on the basis of miles of wire within and without the State. This tax upon corporate excess is at a rate equal to the average of the rates of the general property tax for the three preceding years. Works, structures, real estate, machinery, conduits, wire and pipes are assessed and taxed locally as property of individuals is taxed.

**Michigan.**—Telegraph companies whose receipts are less than \$500 are exempt. If the gross receipts within the State exceed \$500, the property of such companies is assessed by the State board and taxed at the rate of the general property tax.

**Minnesota.**—Telegraph companies are taxed by the State upon the cash value of all their property at a rate to be determined by the State Board of Equalization, this tax being in lieu of all others.

**Mississippi.**—Telegraph companies are subject to taxation upon all their property as assessed by the State Board of Assessors, the valuation being apportioned to the taxing districts and taxed at the rate of the general property tax. They are also subject to a State privilege tax based upon miles of pole line, the rate being 25 cents per mile, with a maximum tax of \$250.00.

**Missouri.**—Telegraph companies are taxed upon all their property, including franchises, at the rate of the general property tax, the assessment being made by the State board and the valuation apportioned to the taxing districts, where the tax is collected as that upon the property of natural persons. Local property is assessed by local officers. Shares in foreign companies are taxed to the holders at market value.

**Montana.**—The property of telegraph companies is assessed and taxed exactly as property in the hands of individuals. The capital stock and franchises are assessed at the principal office of the company and other property where situated. In addition to this ad valorem tax, such companies are subject to county license fees of \$5 per quarter on each instrument in use.

**Nebraska.**—Telegraph companies are taxed locally under the general property tax upon all property and franchises. They are also subject to the State tax upon the authorized amount of capital stock, the fees varying from \$5 to \$2,500.

**Nevada.**—Telegraph companies are taxed upon all their property under the general property tax, the assessment being made by the State Board and the valuation apportioned to the taxing districts where the taxes are collected. Foreign companies are subject to retaliatory provisions.

**New Hampshire.**—Telegraph companies are taxed upon all their property, including franchises, by the State, the assessment being made by the State Tax Commission and the rate of taxation being fixed by such Commission at a rate as nearly as possible equal to that of the general property tax.

**New Jersey.**—Telegraph companies are taxed by the State upon their gross receipts from business done within the State and a proportionate share

of interstate earnings at the rate of 2%. In addition to this tax all tangible property is assessed and taxed as the property of individuals.

**New Mexico.**—Telegraph companies are assessed and taxed upon an their property as valued by the State Board of Equalization, the valuation being apportioned to the counties and municipalities and the taxes collected in the same way and at the same rate as those upon property in the hands of individuals.

**New York.**—Telegraph companies are subject to a State tax upon gross earnings from business wholly within the State at the rate of  $\frac{1}{2}$  of 1%, and to an State franchise tax upon capital stock, the rates varying from  $\frac{1}{4}$  of a mill per \$1 for each 1% of dividends declared to  $1\frac{1}{2}$  mills on each \$1 of capital stock employed in the State, according to the amount of dividends declared. In addition to these taxes, telegraph companies are assessed and taxed upon all tangible property in the same way as the property of individuals is taxed, this tax being for local use only. Foreign companies also pay an additional State license fee of  $\frac{1}{8}$  of 1% upon the capital stock employed in the State.

**North Carolina.**—Telegraph companies are assessed by the State Tax Commission upon all their property, including franchises and mortgages upon such property, the valuation being apportioned to the counties and taxing districts, where the taxes are levied at the rate of the general property tax. In addition to the ad valorem taxes, such companies are taxed by the State upon their gross receipts from business done wholly within the State at the rate of  $2\frac{1}{2}$ % and municipal license fees based upon population, the amounts varying from \$10 to \$50, are allowed.

**North Dakota.**—Telegraph companies are taxed upon all their property under the general property tax, the assessment of real estate being made by local officers and that of franchise, poles, and wire by the State Board of Equalization. The valuation made by the State Board is apportioned to the counties upon the basis of mileage, and the taxes collected locally. In unorganized counties the taxes are collected by the State Auditor for State use only.

**Ohio.**—Telegraph companies are taxed by the State upon their gross receipts from intra-state business at the rate of 2%. In addition to this they are taxed upon the market value of their capital stock (less real estate locally taxed) as determined by the State Tax Commission, and upon all real estate as assessed by local officers. The valuation of the stock is apportioned to the counties and the taxes upon it, as well as those upon real estate, are collected in the same way and at the same rate as those upon property in the hands of individuals.

**Oklahoma.**—Telegraph companies are taxed upon all their property under the general property tax, the assessments being made by either State or local officers. Intra-state companies are taxed in addition to this 2 per cent upon their gross receipts from operation.

**Oregon.**—Telegraph companies are taxed under the general property tax upon all their property as assessed by the State Board, the valuations being apportioned to the counties and the taxes collected in the same way as those upon property in the hands of individuals.

**Pennsylvania.**—Telegraph companies are taxed by the State as follows: 5 mills on each \$1 actual value of capital stock; 8 mills on each \$1 of gross receipts from traffic wholly within the State; 4 mills on each \$1 of bonds owned within the State. In addition to these State taxes, real and personal property necessary to the business is taxed locally under the general property tax in Pittsburgh and Philadelphia, but such property is exempt elsewhere.

**Rhode Island.**—Telegraph companies are taxed by the State upon their gross receipts from operation within the State at the rate of 2% in lieu of all other taxes on intangible personal property or corporate excess and in lieu of all other taxation on personal property used in the business. Real estate is taxed as that of individuals.

**South Carolina.**—Telegraph companies are taxed by the State upon their gross receipts from business within the State at the rate of 3 mills. In addition to this they are assessed by the State Board of Assessors upon the market value of their capital stock plus mortgages, this valuation being apportioned to the counties and taxing districts, where the taxes upon it are collected at the same rate and in the same manner as those upon property in the hands of individuals.

**South Dakota.**—Telegraph companies are taxed at the rate of the general property tax upon all their property as assessed by the State board, the taxes being paid to the State Treasurer and then distributed to the counties upon the basis of the property of such companies situated therein. This tax is in lieu of all others upon the property of such companies. Shares of stock are taxed to the holders.

**Tennessee.**—Telegraph companies are assessed and taxed upon all their property under the general property tax; property having an actual situs is assessed by local officers, all other property by the State Tax Commissioners. The valuation made by the State Commissioners is apportioned to the counties and taxing districts and the taxes upon it, as well as those upon local property, collected in the same way as those upon property of individuals. In addition to these taxes, telegraph companies are subject to State license taxes varying from \$20 for companies operating from 25 to 100 miles of wire to \$700 for companies operating from 300 to 1,000 miles of wire, with an additional \$20 for each 100 miles of wire in excess of 1,000 miles up to 6,000 miles, and \$10 for each 100 miles in excess of 6,000 miles.

**Texas.**—Telegraph companies are taxed by the State upon their gross receipts from business within the State at the rate of 2½%, and are also subject to a franchise tax upon the amount of capital stock, surplus and undivided profits, the rates of which tax are 50 cents on \$1,000 up to \$1,000,000 and 25 cents upon each \$1,000 in excess thereof, for domestic companies; foreign companies pay \$1 on each \$1,000 up to \$100,000 and \$2 on each \$5,000 in excess of \$100,000 up to \$1,000,000 and \$2 on each \$20,000 in excess thereof. In addition to these taxes such companies are assessed locally upon all their property under the general property tax.

**Utah.**—Telegraph companies are taxed upon all their property, including franchises, under the general property tax, the assessment being made by the

State Board and the valuation apportioned to the taxing units where the taxes are collected in the same way as those upon property in the hands of individuals. In addition to this tax, such companies are subject to a State license tax based upon the authorized amount of capital stock, the fees varying from \$5 to \$50. The property of telegraph companies operating in only one county is assessed and taxed locally as property of individuals is taxed.

**Vermont.**—Telegraph companies are taxed by the State upon their gross receipts collected within the State at the rate of 3% or, in lieu thereof, 60 cents per mile for poles and one line of wire and 40 cents for each additional wire owned and operated within the State. They are exempt from all local taxation except upon property not used in the business. Shares of stock in such companies are assessed and taxed to the holders as personal property. Telegraph companies are also subject to the State license tax upon capital stock, the fees varying from \$10 to \$50.

**Virginia.**—Telegraph companies are subject to the State property tax upon all property, the assessment being made by the State Corporation Commission and the rate of taxation being 35 cents on \$100. Tangible property is taxed locally under the general property tax. In addition to these ad valorem taxes such companies are taxed by the State \$2 per mile on poles and conduits and 2% upon intra-state gross earnings. Shares of foreign companies are taxed to the holders. Local license taxes are allowed.

**Washington.**—The property of telegraph companies is assessed by the State Board of Tax Commissioners, the valuation being apportioned to the counties upon the basis of mileage, and the taxes collected at the same rate and in the same manner as those upon the property of individuals.

**West Virginia.**—Telegraph companies are taxed upon all their property as assessed by the State board, the rate of taxation being that of the general property tax. In addition to this tax all domestic companies pay a State license tax upon the authorized amount of capital stock, the fees varying from \$10 if the stock is \$5,000 or less to \$170 if the stock is \$1,000,000 with an additional fee of \$60 on each million dollars or fraction thereof in excess of one million. Foreign companies pay a State license tax of \$1.00 per mile of wire between cities and towns (one line of wire counted), but not in local exchanges the minimum tax being \$100.00.

**Wisconsin.**—Telegraph companies are taxed upon all their property, including franchises, by the State at the rate of the general property tax as determined by the State Commission.

**Wyoming.**—All property of telegraph companies is assessed by the State Board and the valuation apportioned to the various taxing districts, where the taxes are collected at the same rate and in the same way as those upon property in the hands of individuals. Local assessment and taxation by incorporated towns, villages, and cities is allowed.

## APPENDIX B

**Table Showing the Interest Rate on Real Estate Mortgages  
Filed in Twelve Counties During the Year Preceding,  
and the Year Following July 1, 1911, the Date  
when the Smith Mortgage Tax Law Became  
Effective**

## BANNER COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans | Principal   | Rate        | Interest   |
|-----------|-------------|-------------|------------|
| 12. ....  | \$36,050.00 | at 6%.....  | \$2,163.00 |
| 3.....    | 7,900.00    | at 7%.....  | 533.00     |
| 13.....   | 25,801.00   | at 8%.....  | 2,064.08   |
| 12.....   | 27,069.25   | at 10%..... | 2,706.93   |

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Total 40. .... \$96,820.25..... \$7,487.01

Average rate 7.7%

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No Loans | Principal   | Rate        | Interest |
|----------|-------------|-------------|----------|
| 5.....   | \$15,892.53 | at 6%.....  | \$953.55 |
| 6.....   | 10,510.00   | at 7%.....  | 735.70   |
| 3.....   | 5,215.00    | at 8%.....  | 417.20   |
| 19.....  | 15,943.70   | at 10%..... | 1,594.37 |

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Total 33..... \$47,561.23..... \$3,700.82

Average rate 7.7%

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans | Principal  | Rate        | Interest |
|-----------|------------|-------------|----------|
| 2.....    | \$1,200.00 | at 6%.....  | \$72.00  |
| 1.....    | 800.00     | at 6½%..... | 52.00    |
| 1.. ....  | 500.00     | at 7%.....  | 35.00    |
| 6.....    | 12,072.50  | at 8%.....  | 965.80   |
| 11.....   | 7,478.85   | at 10%..... | 747.89   |

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Total 21..... \$22,051.35..... \$1,872.69

Average rate 8.4%

## CUMING COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans | Principal    | Rate   | Interest   |
|-----------|--------------|--------|------------|
| 12.....   | \$185,440.00 | at 5%  | \$9,272.00 |
| 10.....   | 74,250.00    | at 5½% | 4,083.75   |
| 19.....   | 146,956.00   | at 6%  | 8,817.36   |
| 4.....    | 5,450.00     | at 7%  | 381.50     |
| 2.....    | 10,250.00    | at 8%  | 820.00     |
| 1.....    | 664.00       | at 10% | 66.40      |

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Total 48.....\$423,010.00.....\$23,441.01

Average rate 5.5%

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No. Loans | Principal  | Rate   | Interest |
|-----------|------------|--------|----------|
| 1.....    | \$5,000.00 | at 4½% | \$225.00 |
| 31.....   | 190,146.00 | at 5%  | 9,507.30 |
| 14.....   | 47,200.00  | at 5½% | 2,596.00 |
| 1.....    | 5,000.00   | at 5¾% | 287.50   |
| 29.....   | 84,150.00  | at 6%  | 5,049.00 |
| 3.....    | 5,000.00   | at 6½% | 325.00   |
| 12.....   | 24,300.00  | at 7%  | 1,701.00 |
| 2.....    | 7,000.00   | at 8%  | 560.00   |
| 1.....    | 200.00     | at 10% | 20.00    |

---

Total 94.....\$367,996.00.....\$20,270.80

Average rate 5.5%

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans | Principal  | Rate   | Interest |
|-----------|------------|--------|----------|
| 1.....    | \$4,500.00 | at 4%  | \$180.00 |
| 13.....   | 61,700.00  | at 5%  | 3,085.00 |
| 5.....    | 22,600.00  | at 5½% | 1,243.00 |
| 11.....   | 30,742.00  | at 6%  | 1,844.52 |
| 12.....   | 17,900.00  | at 7%  | 1,253.00 |
| 6.....    | 5,050.00   | at 8%  | 404.00   |
| 2.....    | 1,700.00   | at 9%  | 153.00   |
| 1.....    | 1,500.00   | at 10% | 150.00   |

---

Total 51.....\$145,692.00.....\$8,812.52

Average rate 5.7%

## DAWES COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans | Principal  | Rate      | Interest  |
|-----------|------------|-----------|-----------|
| 2.....    | \$4,000.00 | at 5%...  | \$200.00  |
| 16.....   | 27,740.00  | at 6%...  | 1,664.40  |
| 21.....   | 27,668.00  | at 7%...  | 1,936.76  |
| 72.....   | 158,657.00 | at 8%...  | 12,692.56 |
| 2.....    | 3,600.00   | at 9%...  | 324.00    |
| 36.....   | 57,948.00  | at 10%... | 5,794.80  |

---

Total 149.....\$279,613.00.....\$22,612.52

Average rate 8.08%

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No. Loans | Principal   | Rate                    | Interest   |
|-----------|-------------|-------------------------|------------|
| 4.....    | \$28,000.00 | at 5%...                | \$1,400.00 |
| 18.....   | 33,663.00   | at 6%...                | 2,019.78   |
| 11.....   | 16,743.00   | at 7%...                | 1,172.01   |
| 1.....    | 500.00      | at 7 $\frac{3}{4}$ %... | 38.75      |
| 39.....   | 59,491.00   | at 8%...                | 4,759.28   |
| 2.....    | 2,900.00    | at 9%...                | 261.00     |
| 33.....   | 77,682.00   | at 10%...               | 7,768.20   |

---

Total 108.....\$218,979.00.....\$17,419.02

Average rate 7.9%

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans | Principal | Rate      | Interest |
|-----------|-----------|-----------|----------|
| 1.....    | \$400.00  | at 4%...  | \$16.00  |
| 2.....    | 7,500.00  | at 5%...  | 375.00   |
| 13.....   | 29,085.00 | at 6%...  | 1,745.10 |
| 10.....   | 20,548.00 | at 7%...  | 1,438.26 |
| 34.....   | 45,360.00 | at 8%...  | 3,628.80 |
| 16.....   | 18,404.00 | at 10%... | 1,840.40 |

---

Total 76.....\$121,297.00.....\$9,043.56

Average rate 7.4%

## FRANKLIN COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans          | Principal    | Rate   | Interest    |
|--------------------|--------------|--------|-------------|
| 26.....            | \$73,600.00  | at 5%  | \$3,680.00  |
| 17 .....           | 42,550.00    | at 5½% | 2,340.25    |
| 89.....            | 223,356.00   | at 6%  | 13,401.36   |
| 2.....             | 1,900.00     | at 6½% | 123.50      |
| 18.....            | 28,620.00    | at 7%  | 2,003.40    |
| 1.....             | 1,000.00     | at 7½% | 75.00       |
| 9.....             | 13,721.00    | at 8%  | 1,097.68    |
| 7.....             | 13,695.00    | at 10% | 1,369.50    |
| Total 169.....     | \$398,442.00 |        | \$24,090.69 |
| Average rate 6.04% |              |        |             |

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No. Loans         | Principal    | Rate   | Interest    |
|-------------------|--------------|--------|-------------|
| 44.....           | \$136,147.00 | at 5%  | \$6,807.35  |
| 15.....           | 36,650.00    | at 5½% | 2,015.75    |
| 73.....           | 224,495.00   | at 6%  | 13,469.70   |
| 1.....            | 300.00       | at 6½% | 19.50       |
| 14.....           | 19,200.00    | at 7%  | 1,344.00    |
| 7.....            | 4,825.00     | at 8%  | 386.00      |
| 5.....            | 6,070.00     | at 10% | 607.00      |
| Total 159.....    | \$427,687.00 |        | \$24,649.30 |
| Average rate 5.7% |              |        |             |

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans       | Principal    | Rate   | Interest   |
|-----------------|--------------|--------|------------|
| 1.....          | \$3,500.00   | at 2½% | \$87.50    |
| 1.....          | 6,000.00     | at 4%  | 240.00     |
| 3.....          | 16,000.00    | at 5%  | 800.00     |
| 2.....          | 5,500.00     | at 5½% | 302.50     |
| 14.....         | 49,350.00    | at 6%  | 2,961.00   |
| 1.....          | 600.00       | at 6½% | 39.00      |
| 9.....          | 11,075.00    | at 7%  | 775.25     |
| 4.....          | 8,950.00     | at 8%  | 716.00     |
| 1.....          | 3,790.00     | at 10% | 379.00     |
| Total 36.....   | \$104,765.00 |        | \$6,300.25 |
| Average rate 6% |              |        |            |

## HITCHCOCK COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans | Principal   | Rate        | Interest |
|-----------|-------------|-------------|----------|
| 20.....   | \$12,015.00 | at 5%.....  | \$600.75 |
| 1.....    | 1,250.00    | at 5½%..... | 68.75    |
| 24.....   | 38,919.00   | at 6%.....  | 2,335.14 |
| 1.....    | 600.00      | at 6½%..... | 39.00    |
| 35.....   | 73,175.00   | at 7%.....  | 5,122.25 |
| 47.....   | 58,265.00   | at 8%.....  | 4,661.20 |
| 8.....    | 4,200.00    | at 9%.....  | 378.00   |
| 37.....   | 28,693.60   | at 10%..... | 2,869.36 |

---

Total 173..... \$217,117.60..... \$16,074.45

Average rate 7.4%

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No. Loans | Principal  | Rate        | Interest |
|-----------|------------|-------------|----------|
| 14.....   | \$5,220.00 | at 5%.....  | \$261.00 |
| 17.....   | 31,430.80  | at 6%.....  | 1,885.84 |
| 9.....    | 24,450.00  | at 7%.....  | 1,711.50 |
| 16.....   | 22,100.00  | at 8%.....  | 1,768.00 |
| 22.....   | 28,400.00  | at 9%.....  | 2,556.00 |
| 24.....   | 16,070.90  | at 10%..... | 1,607.09 |

---

Total 102..... \$127,671.70..... \$9,789.43

Average rate 7.6%

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans | Principal   | Rate        | Interest   |
|-----------|-------------|-------------|------------|
| 14.....   | \$28,525.00 | at 6%.....  | \$1,711.50 |
| 1.....    | 1,450.00    | at 6½%..... | 94.25      |
| 11.....   | 14,835.00   | at 7%.....  | 1,038.45   |
| 20.....   | 27,705.02   | at 8%.....  | 2,216.40   |
| 1.....    | 1,550.00    | at 9%.....  | 139.50     |
| 20.....   | 14,796.55   | at 10%..... | 1,479.65   |

---

Total 67..... \$88,861.57..... \$6,679.75

Average rate 7.5%

## HOOKER COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans         | Principal   | Rate        | Interest   |
|-------------------|-------------|-------------|------------|
| 7.....            | \$13,600.00 | at 5%.....  | \$680.00   |
| 1.....            | 5,800.00    | at 6%.....  | 348.00     |
| 1.....            | 1,000.00    | at 7%.....  | 70.00      |
| 20.....           | 40,972.52   | at 8%.....  | 3,277.80   |
| 8.. .....         | 7,389.53    | at 10%..... | 738.95     |
| <hr/>             |             |             |            |
| Total 37.....     | \$68,762.05 |             | \$5,114.75 |
| Average rate 7.4% |             |             |            |

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No. Loans         | Principal   | Rate         | Interest   |
|-------------------|-------------|--------------|------------|
| 5.....            | \$4,850.00  | at 5%.....   | \$242.50   |
| 1.....            | 700.00      | at 7.....    | 49.00      |
| 7... ..           | 8,781.76    | at 8%... ..  | 702.54     |
| 17... ..          | 20,601.57   | at 10%... .. | 2,060.16   |
| <hr/>             |             |              |            |
| Total 30.....     | \$34,933.33 |              | \$3,054.20 |
| Average rate 8.7% |             |              |            |

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans         | Principal  | Rate        | Interest |
|-------------------|------------|-------------|----------|
| 2.....            | \$675.00   | at 8%.....  | \$54.00  |
| 2.....            | 2,000.00   | at 10%..... | 200.00   |
| <hr/>             |            |             |          |
| Total 4.....      | \$2,675.00 |             | \$254.00 |
| Average rate 9.4% |            |             |          |

## LOGAN COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans         | Principal    | Rate        | Interest   |
|-------------------|--------------|-------------|------------|
| 18.. .....        | \$25,800.00  | at 6%.....  | \$1,548.00 |
| 10.. .....        | 29,097.00    | at 7%.....  | 2,036.79   |
| 6.. .....         | 51,428.00    | at 8.....   | 4,114.24   |
| 3.. .....         | 2,300.00     | at 9%.....  | 207.00     |
| 13.....           | 6,217.83     | at 10%..... | 621.78     |
| <hr/>             |              |             |            |
| Total 50.....     | \$114,842.83 |             | \$8,527.81 |
| Average rate 7.4% |              |             |            |

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No. Loans | Principal  | Rate       | Interest |
|-----------|------------|------------|----------|
| 2...      | \$1,500.00 | at 6%..... | \$90.00  |

Average rate 6%

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans | Principal   | Rate        | Interest   |
|-----------|-------------|-------------|------------|
| 16.....   | \$32,645.00 | at 6%.....  | \$1,958.70 |
| 7.....    | 19,950.00   | at 7%.....  | 1,396.50   |
| 9.....    | 8,400.00    | at 8%.....  | 672.00     |
| 30.....   | 19,575.15   | at 10%..... | 1,957.52   |

|               |                  |            |
|---------------|------------------|------------|
| Total 62..... | \$80,570.15..... | \$5,984.72 |
|---------------|------------------|------------|

Average rate 7.4%

## NEMAHA COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans | Principal   | Rate        | Interest   |
|-----------|-------------|-------------|------------|
| 16.....   | \$77,800.00 | at 5%.....  | \$3,890.00 |
| 15.....   | 62,300.00   | at 5½%..... | 3,426.50   |
| 78.....   | 192,355.00  | at 6%.....  | 11,541.30  |
| 2.....    | 5,700.00    | at 6½%..... | 370.50     |
| 28.....   | 26,093.00   | at 7%.....  | 1,826.51   |
| 54.....   | 44,655.00   | at 8%.....  | 3,572.40   |
| 1.....    | 250.00      | at 9%.....  | 22.50      |
| 6.....    | 6,875.00    | at 10%..... | 687.50     |

|                |                   |             |
|----------------|-------------------|-------------|
| Total 200..... | \$416,028.00..... | \$25,337.21 |
|----------------|-------------------|-------------|

Average rate 6.09%

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No. Loans | Principal   | Rate            | Interest   |
|-----------|-------------|-----------------|------------|
| 16.....   | \$50,300.00 | at 5%.....      | \$2,515.00 |
| 12.....   | 67,000.00   | at 5½%.....     | 3,685.00   |
| 2.....    | 14,000.00   | at 5 7-10%..... | 798.00     |
| 62.....   | 167,660.00  | at 6%.....      | 10,059.60  |
| 1.....    | 2,000.00    | at 6½%.....     | 130.00     |
| 17.....   | 24,235.00   | at 7%.....      | 1,696.45   |
| 17.....   | 17,226.00   | at 8%.....      | 1,378.08   |
| 6.....    | 6,490.00    | at 10%.....     | 649.00     |

|                |                   |             |
|----------------|-------------------|-------------|
| Total 133..... | \$348,911.00..... | \$20,911.13 |
|----------------|-------------------|-------------|

Average rate 5.9%

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans     | Principal         | Rate        | Interest    |
|---------------|-------------------|-------------|-------------|
| 3.....        | \$7,290.00        | at 5%.....  | \$364.50    |
| 3.....        | 10,450.00         | at 5½%..... | 574.75      |
| 1.....        | 3,400.00          | at 5¾%..... | 195.50      |
| 45.....       | 203,058.00        | at 6%.....  | 12,183.48   |
| 1.....        | 2,500.00          | at 6½%..... | 2,500.00    |
| 17.....       | 23,400.00         | at 7%.....  | 1,638.00    |
| 21.....       | 22,430.00         | at 8%.....  | 1,794.40    |
| 1.....        | 350.00            | at 9%.....  | 31.50       |
| 2.....        | 2,490.00          | at 10%..... | 249.00      |
| <hr/>         |                   |             | <hr/>       |
| Total 94..... | \$275,368.00..... |             | \$16,254.38 |

Average rate 5.9%

## NUCKOLLS COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans      | Principal         | Rate        | Interest    |
|----------------|-------------------|-------------|-------------|
| 4.....         | \$21,000.00       | at 4%.....  | \$840.00    |
| 29.....        | 112,079.00        | at 5%.....  | 5,603.95    |
| 44.....        | 196,300.00        | at 5½%..... | 10,796.50   |
| 2.....         | 8,400.00          | at 5¾%..... | 483.00      |
| 52.....        | 174,708.00        | at 6%.....  | 10,482.48   |
| 2.....         | 10,300.00         | at 6½%..... | 669.50      |
| 28.....        | 45,594.38         | at 7%.....  | 3,191.61    |
| 51.....        | 51,583.96         | at 8%.....  | 4,126.72    |
| 1.....         | 2,000.00          | at 9%.....  | 180.00      |
| 14.....        | 12,121.25         | at 10%..... | 1,212.13    |
| <hr/>          |                   |             | <hr/>       |
| Total 227..... | \$634,086.59..... |             | \$37,585.89 |

Average rate 5.9%

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No. Loans         | Principal    | Rate        | Interest    |
|-------------------|--------------|-------------|-------------|
| 2.....            | \$6,037.50   | at 4%.....  | \$241.50    |
| 49.....           | 178,000.00   | at 5%.....  | 8,900.00    |
| 41.....           | 171,350.00   | at 5½%..... | 9,424.25    |
| 22.....           | 59,940.00    | at 6%.....  | 3,596.40    |
| 2.....            | 1,500.00     | at 6½%..... | 97.50       |
| 10.....           | 29,750.00    | at 7%.....  | 2,082.50    |
| 2.....            | 1,650.00     | at 7½%..... | 123.75      |
| 49.....           | 56,436.17    | at 8%.....  | 4,594.89    |
| 1.....            | 1,610.00     | at 10%..... | 161.00      |
| Total 178.....    | \$506,273.67 |             | \$29,141.79 |
| Average rate 5.7% |              |             |             |

## YEAR ENDING JUNE 30, 1913. WITH TAX CLAUSE

| No. Loans         | Principal    | Rate        | Interest    |
|-------------------|--------------|-------------|-------------|
| 1.....            | \$14,000.00  | at 4%.....  | \$560.00    |
| 53.....           | 219,000.00   | at 5%.....  | 10,950.00   |
| 36.....           | 127,950.00   | at 5½%..... | 7,037.25    |
| 45.....           | 120,191.00   | at 6%.....  | 7,211.46    |
| 35.....           | 51,975.00    | at 7%.....  | 3,638.25    |
| 81.....           | 106,302.00   | at 8%.....  | 8,504.16    |
| 11.....           | 5,559.00     | at 10%..... | 555.90      |
| Total 262.....    | \$644,977.00 |             | \$38,457.02 |
| Average rate 5.9% |              |             |             |

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans         | Principal    | Rate        | Interest    |
|-------------------|--------------|-------------|-------------|
| 8.....            | \$27,400.00  | at 5%.....  | \$1,370.00  |
| 4.....            | 10,800.00    | at 5½%..... | 594.00      |
| 1.....            | 1,600.00     | at 5¾%..... | 92.00       |
| 31.....           | 80,422.67    | at 6%.....  | 4,825.36    |
| 3.....            | 3,700.00     | at 6½%..... | 240.50      |
| 14.....           | 18,925.00    | at 7%.....  | 1,324.75    |
| 39.....           | 27,704.76    | at 8%.....  | 2,216.38    |
| 9.....            | 5,167.21     | at 10%..... | 516.72      |
| Total 109.....    | \$175,719.64 |             | \$11,179.71 |
| Average rate 6.3% |              |             |             |

## IV. YEAR ENDING JUNE 30, 1913. WITHOUT TAX CLAUSE

| No. Loans         | Principal     | Rate             | Interest   |
|-------------------|---------------|------------------|------------|
| 6. . . . .        | \$15,050.00   | at 5% . . . . .  | \$752.50   |
| 4. . . . .        | 19,700.00     | at 5½% . . . . . | 1,083.50   |
| 3. . . . .        | 15,000.00     | at 5¾% . . . . . | 862.50     |
| 10. . . . .       | 29,979.00     | at 6% . . . . .  | 1,798.74   |
| 6. . . . .        | 12,888.00     | at 7% . . . . .  | 902.16     |
| 12. . . . .       | 13,390.00     | at 8% . . . . .  | 1,071.20   |
| <hr/>             |               |                  | <hr/>      |
| Total 41. . . . . | \$106,007.00. | . . . . .        | \$6,470.60 |
| Average rate 6.1% |               |                  |            |

## POLK COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans          | Principal     | Rate             | Interest    |
|--------------------|---------------|------------------|-------------|
| 1. . . . .         | \$1,500.00    | at 2% . . . . .  | \$30.00     |
| 1. . . . .         | 4,500.00      | at 2½% . . . . . | 112.50      |
| 1. . . . .         | 1,100.00      | at 3% . . . . .  | 33.00       |
| 2. . . . .         | 3,500.00      | at 4% . . . . .  | 140.00      |
| 45. . . . .        | 138,795.00    | at 5% . . . . .  | 6,939.75    |
| 23. . . . .        | 60,990.00     | at 5½% . . . . . | 3,354.45    |
| 1. . . . .         | 3,700.00      | at 5¾% . . . . . | 212.75      |
| 79. . . . .        | 143,653.00    | at 6% . . . . .  | 8,619.18    |
| 6. . . . .         | 5,175.00      | at 6½% . . . . . | 336.37      |
| 23. . . . .        | 43,258.00     | at 7% . . . . .  | 3,028.06    |
| 1. . . . .         | 700.00        | at 7½% . . . . . | 52.50       |
| 18. . . . .        | 22,628.00     | at 8% . . . . .  | 1,810.24    |
| 2. . . . .         | 1,000.00      | at 10% . . . . . | 100.00      |
| <hr/>              |               |                  | <hr/>       |
| Total 203. . . . . | \$430,499.00. | . . . . .        | \$24,768.80 |
| Average rate 5.7%  |               |                  |             |

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No. Loans         | Principal    | Rate   | Interest    |
|-------------------|--------------|--------|-------------|
| 53....            | \$202,147.00 | at 5%  | \$10,107.35 |
| 33.....           | 158,000.00   | at 5½% | 8,690.00    |
| 2.....            | 6,000.00     | at 5¾% | 345.00      |
| 80.....           | 179,540.00   | at 6%  | 10,772.40   |
| 5.....            | 4,050.00     | at 6½% | 263.25      |
| 14.....           | 23,625.00    | at 7%  | 1,653.75    |
| 12.....           | 13,980.00    | at 8%  | 1,118.40    |
| 2.....            | 835.00       | at 10% | 83.50       |
| <hr/>             |              |        |             |
| Total 201.        | \$588,177.00 |        | \$33,033.65 |
| Average rate 5.6% |              |        |             |

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans         | Principal   | Rate   | Interest   |
|-------------------|-------------|--------|------------|
| 2.....            | \$43,400.00 | at 5%  | \$2,170.00 |
| 2.....            | 7,000.00    | at 5½% | 385.00     |
| 6.....            | 29,800.00   | at 6%  | 1,788.00   |
| 1.....            | 2,000.00    | at 7%  | 140.00     |
| 2.....            | 640.00      | at 8%  | 51.20      |
| <hr/>             |             |        |            |
| Total 13.....     | \$82,840.00 |        | \$4,534.20 |
| Average rate 5.4% |             |        |            |

## WAYNE COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans         | Principal    | Rate   | Interest    |
|-------------------|--------------|--------|-------------|
| 1.....            | \$600.00     | at 4%  | \$24.00     |
| 1.....            | 10,000.00    | at 4½% | 450.00      |
| 45.....           | 183,567.14   | at 5%  | 9,178.35    |
| 57.....           | 253,900.00   | at 5½% | 13,964.50   |
| 70.....           | 308,343.35   | at 6%  | 18,500.60   |
| 2.....            | 6,000.00     | at 6½% | 380.00      |
| 2.....            | 1,450.00     | at 6½% | 94.25       |
| 28.....           | 49,600.00    | at 7%  | 3,472.00    |
| 30.....           | 24,460.90    | at 8%  | 1,957.19    |
| 5.....            | 16,820.00    | at 10% | 1,682.00    |
| <hr/>             |              |        |             |
| Total 241.....    | \$854,741.39 |        | \$49,702.89 |
| Average rate 5.8% |              |        |             |

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No. Loans         | Principal    | Rate        | Interest    |
|-------------------|--------------|-------------|-------------|
| 1.....            | \$11,400.00  | at 4%.....  | \$456.00    |
| 79.....           | 383,900.00   | at 5%.....  | 19,195.00   |
| 28.....           | 140,200.00   | at 5½%..... | 7,711.00    |
| 42.....           | 161,625.00   | at 6%.....  | 9,697.50    |
| 11.....           | 23,400.00    | at 7%.....  | 1,638.00    |
| 23.....           | 27,838.00    | at 8%.....  | 2,227.04    |
| 5.....            | 3,600.00     | at 10%..... | 360.00      |
| <hr/>             |              |             |             |
| Total 189.....    | \$751,963.90 |             | \$41,284.54 |
| Average rate 5.4% |              |             |             |

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans     | Principal    | Rate        | Interest   |
|---------------|--------------|-------------|------------|
| 8.....        | \$33,240.00  | at 5%.....  | \$1,662.00 |
| 6.....        | 35,500.00    | at 5½%..... | 1,952.50   |
| 12.....       | 25,500.00    | at 6%.....  | 1,530.00   |
| 11.....       | 20,375.00    | at 7%.....  | 1,426.25   |
| 15.....       | 16,772.65    | at 8%.....  | 1,331.81   |
| 1.....        | 700.00       | at 10%..... | 70.00      |
| <hr/>         |              |             |            |
| Total 53..... | \$132,087.65 |             | \$7,972.56 |

## COUNTY

## I. YEAR ENDING JUNE 30, 1911

| No. Loans         | Principal    | Rate        | Interest    |
|-------------------|--------------|-------------|-------------|
| 1.....            | \$4,000.00   | at 4%.....  | \$160.00    |
| 7.....            | 12,700.00    | at 5%.....  | 635.00      |
| 38.....           | 117,900.00   | at 6%.....  | 7,074.00    |
| 2.....            | 2,200.00     | at 6½%..... | 143.00      |
| 17.....           | 29,330.00    | at 7%.....  | 2,053.10    |
| 9.....            | 12,800.00    | at 8%.....  | 1,024.00    |
| 9.....            | 5,050.00     | at 10%..... | 505.00      |
| <hr/>             |              |             |             |
| Total 83.....     | \$183,980.00 |             | \$11,594.10 |
| Average rate 6.3% |              |             |             |

## II. YEAR ENDING JUNE 30, 1912. WITH TAX CLAUSE

| No. Loans         | Principal    | Rate        | Interest    |
|-------------------|--------------|-------------|-------------|
| 7.....            | \$9,880.00   | at 5%.....  | \$494.00    |
| 10.....           | 21,350.00    | at 5½%..... | 1,174.25    |
| 51.. .....        | 109,376.00   | at 6%.....  | 6,562.56    |
| 3.....            | 5,300.00     | at 6½%..... | 344.50      |
| 23.....           | 38,675.00    | at 7%.....  | 2,707.25    |
| 12.....           | 23,375.00    | at 8%.....  | 1,870.00    |
| 14.. .....        | 5,425.00     | at 10....   | 542.50      |
| <hr/>             |              |             |             |
| Total 120.....    | \$213,381.00 |             | \$13,695.06 |
| Average rate 6.4% |              |             |             |

## III. YEAR ENDING JUNE 30, 1912. WITHOUT TAX CLAUSE

| No. Loans         | Principal   | Rate        | Interest   |
|-------------------|-------------|-------------|------------|
| 12. ....          | \$28,860.00 | at 6%.....  | \$1,731.60 |
| 1.....            | 1,800.00    | at 6½%..... | 117.00     |
| 5.....            | 8,955.00    | at 7%.....  | 626.85     |
| 5.....            | 3,450.00    | at 8%.....  | 276.00     |
| 1...              | 2,000.00    | at 9%.....  | 180.00     |
| 1.....            | 75.00       | at 10%..... | 7.50       |
| <hr/>             |             |             |            |
| Total 25... ..    | \$45,140.00 |             | \$2,938.95 |
| Average rate 6.5% |             |             |            |

**Table of Nebraska Counties Showing All Taxes Charged for All County Purposes, Including Average Levies of Township, Road District and All Minor Divisions Which Co-operate With County Government, for the Year 1913**  
 Prepared by WARD NEWCOMB, Clerk of Clay County

| Counties       | Assessed Valuation | County General Fund, Including Levies for Aid, Soldiers' Relief, Jury and Insanity |                | County Bridge Fund, Including Bridge Bond and Emergency Bridge Levies |                | County Road Fund, Including County Ditch and Dragging Levies |                |
|----------------|--------------------|------------------------------------------------------------------------------------|----------------|-----------------------------------------------------------------------|----------------|--------------------------------------------------------------|----------------|
|                |                    | Rate per \$1000                                                                    | Amount Charged | Rate per \$1000                                                       | Amount Charged | Rate per \$1000                                              | Amount Charged |
| Adams.....*S   | \$7,657,232        | \$7.10                                                                             | \$54,366       | \$2.90                                                                | \$22,206       | .....                                                        | .....          |
| Antelope.....S | 5,283,142          | 5.00                                                                               | 26,416         | 3.00                                                                  | 15,849         | .....                                                        | .....          |
| Banner.....    | 436,929            | 9.00                                                                               | 3,932          | 1.50                                                                  | 655            | \$2.00                                                       | \$874          |
| Blaine.....    | 587,155            | 8.20                                                                               | 4,815          | 2.50                                                                  | 1,468          | 2.50                                                         | 1,468          |
| Boone.....     | 5,608,066          | 5.00                                                                               | 28,040         | 4.00                                                                  | 22,432         | 5.00                                                         | 28,040         |
| Box Butte....  | 2,052,616          | 9.00                                                                               | 18,474         | 4.00                                                                  | 8,210          | 2.00                                                         | 4,105          |
| Boyd.....S     | 2,798,599          | 7.10                                                                               | 19,870         | 3.00                                                                  | 8,396          | .80                                                          | 2,239          |
| Brown.....     | 1,832,301          | 9.00                                                                               | 16,491         | 3.00                                                                  | 5,497          | 3.00                                                         | 5,497          |
| Buffalo.....S  | 7,623,468          | 5.10                                                                               | 38,880         | 4.00                                                                  | 30,494         | .....                                                        | .....          |
| Burt.....S     | 6,996,826          | 4.20                                                                               | 29,397         | 5.00                                                                  | 34,984         | .80                                                          | 5,597          |
| Butler.....S   | 7,917,320          | 5.05                                                                               | 39,982         | 3.35                                                                  | 26,523         | .....                                                        | .....          |
| Cass.....      | 8,430,797          | 5.20                                                                               | 43,840         | 4.00                                                                  | 33,723         | 3.00                                                         | 25,292         |
| Cedar.....     | 8,211,089          | 6.00                                                                               | 49,267         | 2.00                                                                  | 16,422         | 1.20                                                         | 9,853          |
| Chase.....     | 1,080,509          | 9.00                                                                               | 9,725          | 3.00                                                                  | 3,242          | 3.00                                                         | 3,242          |
| Cherry.....    | 3,577,400          | 9.00                                                                               | 32,197         | 3.00                                                                  | 10,732         | 3.00                                                         | 10,732         |
| Cheyenne....   | 2,738,647          | 8.00                                                                               | 21,909         | 1.50                                                                  | 4,108          | 2.00                                                         | 5,477          |
| Clay.....S     | 8,071,012          | 3.30                                                                               | 26,634         | 1.80                                                                  | 14,528         | .50                                                          | 4,036          |
| Colfax.....    | 5,822,425          | 5.20                                                                               | 30,277         | 5.00                                                                  | 29,112         | 3.00                                                         | 17,467         |
| Cuming.....S   | 7,802,685          | 6.10                                                                               | 47,596         | 5.00                                                                  | 39,013         | .10                                                          | 780            |
| Custer.....S   | 7,408,979          | 7.70                                                                               | 57,049         | 2.00                                                                  | 14,818         | 2.00                                                         | 14,818         |
| Dakota.....    | 3,180,568          | 3.20                                                                               | 10,178         | 5.00                                                                  | 15,903         | 3.00                                                         | 9,542          |
| Dawes.....     | 2,267,310          | 9.00                                                                               | 20,406         | 3.00                                                                  | 6,802          | 3.00                                                         | 6,802          |
| Dawson.....    | 6,671,635          | 8.00                                                                               | 53,373         | 4.00                                                                  | 26,687         | 4.00                                                         | 26,687         |
| Deuel.....     | 1,221,201          | 9.10                                                                               | 11,113         | 1.00                                                                  | 1,221          | 3.00                                                         | 4,763          |
| Dixon.....S    | 4,685,992          | 7.00                                                                               | 32,802         | 4.00                                                                  | 18,744         | 1.20                                                         | 5,623          |
| Dodge.....S    | 9,618,980          | 6.10                                                                               | 58,676         | 5.00                                                                  | 48,095         | 1.10                                                         | 10,581         |
| Douglas.....   | 45,486,359         | 9.21                                                                               | 418,929        | 2.40                                                                  | 109,167        | 1.09                                                         | 49,580         |
| Dundy.....     | 1,516,763          | 8.20                                                                               | 12,437         | 2.00                                                                  | 3,034          | 2.00                                                         | 3,034          |
| Fillmore.....S | 7,477,178          | 3.90                                                                               | 29,151         | 2.80                                                                  | 20,936         | 1.00                                                         | 7,477          |
| Franklin.....S | 3,924,478          | 6.00                                                                               | 23,547         | 2.75                                                                  | 10,792         | 1.25                                                         | 4,906          |
| Frontier.....  | 2,710,601          | 6.00                                                                               | 16,264         | 4.20                                                                  | 11,385         | 4.00                                                         | 10,842         |
| Furnas.....    | 4,030,376          | 5.70                                                                               | 22,973         | 4.00                                                                  | 16,122         | 2.00                                                         | 8,061          |
| Gage.....S     | 11,631,679         | 6.22                                                                               | 72,349         | 4.88                                                                  | 56,763         | .39                                                          | 4,536          |
| Garden.....    | 1,006,711          | 9.10                                                                               | 9,161          | 2.00                                                                  | 2,013          | 3.90                                                         | 3,926          |
| Garfield.....  | 714,763            | 9.25                                                                               | 6,611          | 4.00                                                                  | 2,859          | 2.00                                                         | 1,430          |
| Gosper.....    | 1,953,689          | 5.00                                                                               | 9,768          | 4.00                                                                  | 7,815          | 4.00                                                         | 7,815          |
| Grant.....     | 749,981            | 7.50                                                                               | 5,625          | .....                                                                 | .....          | .....                                                        | .....          |
| Greeley.....   | 3,429,607          | 5.50                                                                               | 18,863         | 4.00                                                                  | 13,718         | 4.00                                                         | 13,718         |
| Hall.....S     | 7,918,553          | 5.21                                                                               | 41,256         | 3.20                                                                  | 25,339         | .51                                                          | 4,038          |
| Hamilton.....  | 7,924,559          | 4.60                                                                               | 36,453         | 4.00                                                                  | 31,698         | 2.10                                                         | 16,642         |
| Harlan.....S   | 3,320,926          | 5.20                                                                               | 17,269         | 3.00                                                                  | 9,963          | .....                                                        | .....          |
| Hayes.....     | 734,001            | 9.00                                                                               | 6,606          | 3.00                                                                  | 2,202          | 3.00                                                         | 2,202          |
| Hitchcock....  | 1,887,351          | 8.00                                                                               | 15,099         | 3.00                                                                  | 5,662          | 2.00                                                         | 3,775          |
| Holt.....S     | 4,737,294          | 8.20                                                                               | 38,846         | 5.00                                                                  | 23,686         | 1.00                                                         | 4,737          |
| Hooker.....    | 558,092            | 9.00                                                                               | 5,023          | 1.00                                                                  | 558            | 2.00                                                         | 1,116          |
| Howard.....    | 4,433,952          | 6.05                                                                               | 26,825         | 5.00                                                                  | 22,170         | 3.00                                                         | 13,302         |
| Jefferson..... | 6,982,280          | 4.20                                                                               | 29,326         | 3.00                                                                  | 20,947         | 5.00                                                         | 34,911         |
| Johnson.....   | 4,756,115          | 7.50                                                                               | 35,671         | 4.00                                                                  | 19,024         | 3.40                                                         | 16,171         |

**Table of Nebraska Counties Showing All Taxes Charged for All County Purposes, Including Average Levies of Township, Road District and All Minor Divisions Which Co-operate With County Government, for the Year 1913—(Cont'd)**  
 Prepared by WARD NEWCOMB, Clerk of Clay County

| Counties       | Railway and Court House Bonds, Judgment and Old Claim Levies, Sinking and Building Funds |                | Township and Special Road and Bridge District Levies not Uniform Over the County But Reduced to an Average Rate |                | Total     | Rate per \$1000 | Tax per Capita 1910 Census |
|----------------|------------------------------------------------------------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------|----------------|-----------|-----------------|----------------------------|
|                | Rate per \$1000                                                                          | Amount Charged | Rate per \$1000                                                                                                 | Amount Charged |           |                 |                            |
| Adams.....*S   |                                                                                          |                | \$3.70                                                                                                          | \$28,342       | \$104,914 | \$13.70         | \$5.00                     |
| Antelope.....S |                                                                                          |                | 5.05                                                                                                            | 26,689         | 68,954    | 13.05           | 4.92                       |
| Banner.....    |                                                                                          |                |                                                                                                                 |                | 5,461     | 12.50           | 3.78                       |
| Blaine.....    |                                                                                          |                |                                                                                                                 |                | 7,751     | 13.20           | 4.64                       |
| Boone.....     |                                                                                          |                |                                                                                                                 |                | 78,512    | 14.00           | 5.97                       |
| Box Butte..... | \$2.20                                                                                   | \$4,516        |                                                                                                                 |                | 35,305    | 17.20           | 5.76                       |
| Boyd.....S     | 4.10                                                                                     | 11,474         | 6.73                                                                                                            | 18,847         | 60,826    | 21.73           | 6.89                       |
| Brown.....     |                                                                                          |                |                                                                                                                 |                | 27,485    | 15.00           | 4.52                       |
| Buffalo.....S  | .50                                                                                      | 3,812          | 5.33                                                                                                            | 40,661         | 113,847   | 14.93           | 5.20                       |
| Burt.....S     | 6.20                                                                                     | 43,380         | 2.93                                                                                                            | 20,475         | 133,833   | 19.13           | 10.52                      |
| Butler.....S   |                                                                                          |                | 5.07                                                                                                            | 40,156         | 106,661   | 13.47           | 6.92                       |
| Cass.....      | 1.50                                                                                     | 12,646         |                                                                                                                 |                | 115,501   | 13.70           | 5.84                       |
| Cedar.....     |                                                                                          |                |                                                                                                                 |                | 75,542    | 9.20            | 4.97                       |
| Chase.....     | 5.00                                                                                     | 5,403          |                                                                                                                 |                | 21,612    | 20.00           | 5.98                       |
| Cherry.....    |                                                                                          |                |                                                                                                                 |                | 53,661    | 15.00           | 5.15                       |
| Cheyenne.....  | 2.00                                                                                     | 5,477          |                                                                                                                 |                | 36,971    | 13.50           | 8.12                       |
| Clay.....S     |                                                                                          |                | 3.55                                                                                                            | 28,658         | 73,856    | 9.15            | 4.70                       |
| Colfax.....    |                                                                                          |                | .38                                                                                                             | 2,212          | 79,068    | 13.58           | 6.81                       |
| Cuming.....S   |                                                                                          |                | 4.62                                                                                                            | 36,040         | 123,429   | 15.82           | 8.96                       |
| Custer.....S   |                                                                                          |                | 8.76                                                                                                            | 64,887         | 151,572   | 20.46           | 5.91                       |
| Dakota.....    |                                                                                          |                | .43                                                                                                             | 1,365          | 36,988    | 11.63           | 5.63                       |
| Dawes.....     |                                                                                          |                |                                                                                                                 |                | 34,010    | 15.00           | 4.12                       |
| Dawson.....    | 4.00                                                                                     | 26,687         | .11                                                                                                             | 716            | 134,150   | 20.11           | 8.40                       |
| Deuel.....     |                                                                                          |                |                                                                                                                 |                | 17,097    | 14.00           | 9.57                       |
| Dixon.....S    |                                                                                          |                | 4.23                                                                                                            | 19,934         | 77,103    | 16.43           | 6.72                       |
| Dodge.....S    |                                                                                          |                | 2.87                                                                                                            | 27,605         | 144,957   | 15.07           | 6.55                       |
| Douglas.....   | 3.00                                                                                     | 136,459        |                                                                                                                 |                | 714,135   | 15.70           | 4.24                       |
| Dundy.....     |                                                                                          |                |                                                                                                                 |                | 18,505    | 12.20           | 4.52                       |
| Fillmore.....S |                                                                                          |                | 3.43                                                                                                            | 25,636         | 83,200    | 11.13           | 5.67                       |
| Franklin.....S |                                                                                          |                | 4.45                                                                                                            | 17,483         | 56,728    | 14.45           | 5.51                       |
| Frontier.....  |                                                                                          |                |                                                                                                                 |                | 38,491    | 14.20           | 4.49                       |
| Furnas.....    |                                                                                          |                |                                                                                                                 |                | 47,156    | 11.70           | 3.90                       |
| Gage.....S     | .11                                                                                      | 1,279          | 5.11                                                                                                            | 59,394         | 194,321   | 16.71           | 6.41                       |
| Garden.....    |                                                                                          |                |                                                                                                                 |                | 15,100    | 15.00           | 4.27                       |
| Garfield.....  | 2.00                                                                                     | 1,430          |                                                                                                                 |                | 12,330    | 17.25           | 3.61                       |
| Gosper.....    |                                                                                          |                |                                                                                                                 |                | 25,398    | 13.00           | 5.15                       |
| Grant.....     |                                                                                          |                |                                                                                                                 |                | 5,625     | 7.50            | 5.13                       |
| Greeley.....   | 1.00                                                                                     | 3,430          |                                                                                                                 |                | 49,729    | 14.50           | 6.18                       |
| Hall.....S     | 1.23                                                                                     | 10,136         | 4.06                                                                                                            | 32,155         | 112,924   | 14.26           | 5.55                       |
| Hamilton.....  |                                                                                          |                |                                                                                                                 |                | 84,793    | 10.70           | 6.30                       |
| Harlan.....S   |                                                                                          |                | 4.40                                                                                                            | 14,623         | 41,855    | 12.60           | 4.37                       |
| Hayes.....     |                                                                                          |                |                                                                                                                 |                | 11,010    | 15.00           | 3.66                       |
| Hitchcock..... |                                                                                          |                | .50                                                                                                             | 908            | 25,444    | 13.50           | 4.70                       |
| Holt.....S     |                                                                                          |                | 8.07                                                                                                            | 38,242         | 105,511   | 22.27           | 6.65                       |
| Hooker.....    | 3.50                                                                                     | 1,953          |                                                                                                                 |                | 8,650     | 15.50           | 8.82                       |
| Howard.....    | 2.95                                                                                     | 13,080         | .20                                                                                                             | 886            | 76,263    | 17.20           | 7.07                       |
| Jefferson..... |                                                                                          |                | .06                                                                                                             | 435            | 85,619    | 12.26           | 5.03                       |
| Johnson.....   |                                                                                          |                |                                                                                                                 |                | 70,866    | 14.90           | 6.96                       |

**Table of Nebraska Counties Showing All Taxes Charged for All County Purposes, Including Average Levies of Township, Road District and All Minor Divisions Which Co-operate With County Government, for the Year 1913—(Cont'd)**  
 Prepared by WARD NEWCOMB, Clerk of Clay County

| Counties        | Assessed Valuation | County General Fund, Including Levies for Aid, Soldiers' Relief, Jury and Insanity |                | County Bridge Fund, Including Bridge Bond and Emergency Bridge Levies |                | County Road Fund, Including County Ditch and Dragging Levies |                |
|-----------------|--------------------|------------------------------------------------------------------------------------|----------------|-----------------------------------------------------------------------|----------------|--------------------------------------------------------------|----------------|
|                 |                    | Rate per \$1000                                                                    | Amount Charged | Rate per \$1000                                                       | Amount Charged | Rate per \$1000                                              | Amount Charged |
| Kearney.....S   | 4,297,134          | 4.76                                                                               | 20,454         | 2.79                                                                  | 11,989         | .10                                                          | 430            |
| Keith.....      | 2,166,478          | 9.00                                                                               | 19,498         | 2.75                                                                  | 5,958          | 2.75                                                         | 5,958          |
| Keya Paha...    | 1,006,543          | 9.00                                                                               | 9,058          | 4.00                                                                  | 4,026          | 2.00                                                         | 2,013          |
| Kimball.....    | 1,515,052          | 7.50                                                                               | 11,363         | .50                                                                   | 758            | 2.50                                                         | 3,788          |
| Knox.....S      | 5,841,897          | 5.20                                                                               | 30,378         | 5.00                                                                  | 29,209         | 1.00                                                         | 5,842          |
| Lancaster....   | 23,980,164         | 5.50                                                                               | 131,891        | 2.50                                                                  | 59,950         | .....                                                        | .....          |
| Lincoln.....    | 5,334,410          | 7.00                                                                               | 40,542         | 2.80                                                                  | 14,936         | 3.70                                                         | 19,737         |
| Logan.....      | 532,445            | 9.00                                                                               | 4,792          | 2.00                                                                  | 1,065          | 4.00                                                         | 2,130          |
| Loup.....       | 419,928            | 9.00                                                                               | 3,779          | 4.00                                                                  | 1,680          | 2.00                                                         | 840            |
| Madison.....    | 6,906,174          | 6.20                                                                               | 42,818         | 5.00                                                                  | 34,531         | 3.50                                                         | 24,172         |
| McPherson...    | 545,377            | 9.00                                                                               | 4,908          | 2.75                                                                  | 1,500          | 2.75                                                         | 1,500          |
| Merrick.....S   | 5,279,341          | 3.80                                                                               | 20,061         | 3.70                                                                  | 19,534         | .....                                                        | .....          |
| Morrill.....    | 1,571,682          | 9.00                                                                               | 14,145         | 3.00                                                                  | 4,715          | 2.50                                                         | 3,929          |
| Nance.....S     | 4,171,545          | 6.20                                                                               | 25,864         | 7.00                                                                  | 29,201         | 1.00                                                         | 4,172          |
| Nemaha.....     | 5,773,820          | 5.20                                                                               | 30,024         | 5.00                                                                  | 28,869         | 2.00                                                         | 11,548         |
| Nuckolls.....   | 6,095,336          | 4.00                                                                               | 24,381         | 4.00                                                                  | 24,381         | 2.00                                                         | 12,191         |
| Otoe.....       | 8,726,464          | 6.00                                                                               | 52,359         | 4.00                                                                  | 34,906         | .....                                                        | .....          |
| Pawnee.....     | 5,438,629          | 3.70                                                                               | 20,123         | 4.00                                                                  | 21,755         | 5.00                                                         | 27,193         |
| Perkins.....    | 1,370,237          | 6.10                                                                               | 8,358          | .....                                                                 | .....          | 1.50                                                         | 2,055          |
| Phelps.....S    | 4,400,861          | 4.20                                                                               | 18,434         | .....                                                                 | .....          | .....                                                        | .....          |
| Pierce.....     | 4,663,348          | 6.20                                                                               | 28,913         | 5.00                                                                  | 23,317         | 2.00                                                         | 9,327          |
| Platte.....S    | 9,043,071          | 4.20                                                                               | 37,981         | 1.80                                                                  | 16,278         | 1.80                                                         | 16,278         |
| Polk.....       | 5,663,987          | 4.60                                                                               | 26,054         | 2.60                                                                  | 14,726         | 4.00                                                         | 22,656         |
| Red Willow...   | 3,089,829          | 7.50                                                                               | 23,174         | 4.00                                                                  | 12,359         | 3.00                                                         | 9,269          |
| Richardson..S   | 7,582,241          | 5.70                                                                               | 43,219         | 3.50                                                                  | 26,538         | .....                                                        | .....          |
| Rock.....       | 1,192,469          | 9.00                                                                               | 10,732         | 3.50                                                                  | 4,174          | 2.50                                                         | 2,981          |
| Saline.....     | 8,228,839          | 3.70                                                                               | 30,447         | 2.50                                                                  | 20,572         | 3.00                                                         | 24,687         |
| Sarpy.....      | 4,254,636          | 7.50                                                                               | 31,910         | 4.00                                                                  | 17,019         | 3.50                                                         | 14,891         |
| Saunders.....   | 10,493,969         | 5.20                                                                               | 54,569         | 4.50                                                                  | 47,223         | 2.00                                                         | 20,988         |
| Scott's Bluff.. | 2,788,631          | 9.00                                                                               | 25,098         | 2.00                                                                  | 5,577          | 3.00                                                         | 8,366          |
| Seward.....S    | 8,499,228          | 3.50                                                                               | 29,747         | 3.00                                                                  | 25,498         | .....                                                        | .....          |
| Sheridan.....   | 2,860,442          | 9.00                                                                               | 25,744         | 3.00                                                                  | 8,581          | 3.00                                                         | 8,581          |
| Sherman.....S   | 3,204,661          | 4.25                                                                               | 13,620         | 4.00                                                                  | 12,819         | .25                                                          | 801            |
| Sioux.....      | 1,397,566          | 9.00                                                                               | 12,578         | 4.00                                                                  | 5,590          | 2.00                                                         | 2,795          |
| Stanton.....    | 4,416,184          | 7.20                                                                               | 31,797         | 5.00                                                                  | 22,081         | 3.00                                                         | 13,249         |
| Thayer.....     | 6,142,077          | 3.20                                                                               | 19,655         | 4.00                                                                  | 24,568         | 3.00                                                         | 18,426         |
| Thomas.....     | 532,546            | 9.00                                                                               | 4,793          | 1.00                                                                  | 533            | 4.00                                                         | 2,130          |
| Thurston.....   | 3,426,161          | 7.00                                                                               | 23,983         | 4.00                                                                  | 13,705         | 3.00                                                         | 10,278         |
| Valley.....S    | 3,641,053          | 3.90                                                                               | 14,200         | 2.20                                                                  | 8,010          | .10                                                          | 364            |
| Washington...   | 5,862,869          | 4.10                                                                               | 24,038         | 4.00                                                                  | 23,451         | 3.20                                                         | 18,761         |
| Wayne.....      | 5,702,159          | 5.10                                                                               | 29,081         | 4.25                                                                  | 24,234         | 1.60                                                         | 9,123          |
| Webster.....    | 5,388,463          | 4.00                                                                               | 21,554         | 4.00                                                                  | 21,554         | 3.00                                                         | 16,165         |
| Wheeler.....    | 696,934            | 9.00                                                                               | 6,272          | 1.00                                                                  | 697            | 4.00                                                         | 2,788          |
| York.....S      | 9,077,353          | 3.20                                                                               | 29,048         | 2.50                                                                  | 22,693         | .....                                                        | .....          |
| Total....       | \$470,690,414      |                                                                                    | \$2,815,244    |                                                                       | \$1,606,477    |                                                              | \$776,186      |

\*S—Supervisor or township organization

**Table of Nebraska Counties Showing All Taxes Charged for All County Purposes, Including Average Levies of Township, Road District and All Minor Divisions Which Co-operate With County Government, for the Year 1913—(Cont'd)**  
Prepared by WARD NEWCOMB, Clerk of Clay County

| Counties           | Railway and Court House Bonds, Judgment and Old Claim Levies, Sinking and Building Funds |                | Township and Special Road and Bridge District Levies not Uniform Over the County But Reduced to an Average Rate |                | Total       | Rate per \$1000 | Tax per Capita 1910 Census |
|--------------------|------------------------------------------------------------------------------------------|----------------|-----------------------------------------------------------------------------------------------------------------|----------------|-------------|-----------------|----------------------------|
|                    | Rate per \$1000                                                                          | Amount Charged | Rate per \$1000                                                                                                 | Amount Charged |             |                 |                            |
| Kearney.....S      | .55                                                                                      | 2,363          | 3.67                                                                                                            | 15,762         | 50,998      | 11.87           | 5.60                       |
| Keith.....         | 1.50                                                                                     | 3,250          | .....                                                                                                           | .....          | 34,664      | 16.00           | 9.09                       |
| Keya Paha.....     | 2.20                                                                                     | 2,214          | .....                                                                                                           | .....          | 17,311      | 17.20           | 5.01                       |
| Kimball.....       | .....                                                                                    | .....          | .....                                                                                                           | .....          | 15,909      | 10.50           | 8.19                       |
| Knox.....S         | .....                                                                                    | .....          | 7.48                                                                                                            | 43,691         | 109,120     | 18.68           | *5.94                      |
| Lancaster.....     | 1.70                                                                                     | 40,766         | .75                                                                                                             | 17,970         | 250,577     | 10.45           | 3.40                       |
| Lincoln.....       | .....                                                                                    | .....          | .31                                                                                                             | 1,669          | 76,884      | 14.41           | 4.90                       |
| Logan.....         | .....                                                                                    | .....          | .....                                                                                                           | .....          | 7,987       | 15.00           | 5.25                       |
| Loup.....          | .....                                                                                    | .....          | .....                                                                                                           | .....          | 6,299       | 15.00           | 2.88                       |
| Madison.....       | .....                                                                                    | .....          | .....                                                                                                           | .....          | 101,521     | 14.70           | 5.31                       |
| McPherson.....     | .....                                                                                    | .....          | .....                                                                                                           | .....          | 7,908       | 14.50           | 3.20                       |
| Merrick.....S      | 1.70                                                                                     | 8,975          | 5.74                                                                                                            | 30,301         | 78,871      | 14.94           | 7.60                       |
| Morrill.....       | .50                                                                                      | 786            | .....                                                                                                           | .....          | 23,575      | 15.00           | 5.14                       |
| Nance.....S        | .....                                                                                    | .....          | 6.95                                                                                                            | 29,000         | 88,237      | 21.15           | 9.89                       |
| Nemaha.....        | .....                                                                                    | .....          | 1.05                                                                                                            | 6,044          | 76,485      | 13.25           | 5.84                       |
| Nuckolls.....      | .....                                                                                    | .....          | .50                                                                                                             | 3,027          | 63,980      | 10.50           | 4.91                       |
| Otoe.....          | 3.20                                                                                     | 27,925         | 3.91                                                                                                            | 34,101         | 149,291     | 17.11           | 7.73                       |
| Pawnee.....        | 4.00                                                                                     | 21,755         | .45                                                                                                             | 2,470          | 93,296      | 17.15           | 8.82                       |
| Perkins.....       | .40                                                                                      | 548            | .....                                                                                                           | .....          | 10,961      | 8.00            | 4.26                       |
| Phelps.....S       | 2.00                                                                                     | 8,802          | 4.50                                                                                                            | 19,806         | 47,092      | 10.70           | 4.51                       |
| Pierce.....        | .....                                                                                    | .....          | .31                                                                                                             | 1,423          | 62,980      | 13.51           | 6.22                       |
| Platte.....S       | .....                                                                                    | .....          | 4.16                                                                                                            | 37,626         | 108,163     | 11.96           | 5.69                       |
| Polk.....          | .....                                                                                    | .....          | .....                                                                                                           | .....          | 63,436      | 11.20           | 6.03                       |
| Red Willow.....    | .....                                                                                    | .....          | .....                                                                                                           | .....          | 44,802      | 14.50           | 4.05                       |
| Richardson.....S   | .....                                                                                    | .....          | 2.21                                                                                                            | 16,753         | 86,510      | 11.41           | 4.96                       |
| Rock.....          | .....                                                                                    | .....          | .....                                                                                                           | .....          | 17,887      | 15.00           | 4.93                       |
| Saline.....        | .....                                                                                    | .....          | .95                                                                                                             | 7,843          | 83,549      | 10.15           | 4.68                       |
| Sarpy.....         | .....                                                                                    | .....          | .....                                                                                                           | .....          | 63,820      | 15.00           | 6.88                       |
| Saunders.....      | .50                                                                                      | 5,247          | .....                                                                                                           | .....          | 128,027     | 12.20           | 6.05                       |
| Scott's Bluff..... | .....                                                                                    | .....          | 1.81                                                                                                            | 5,061          | 44,102      | 15.81           | 5.28                       |
| Seward.....S       | 1.20                                                                                     | 10,199         | 4.18                                                                                                            | 35,556         | 101,000     | 11.88           | 6.35                       |
| Sheridan.....      | .....                                                                                    | .....          | .....                                                                                                           | .....          | 42,906      | 15.00           | 5.86                       |
| Sherman.....S      | 3.50                                                                                     | 11,216         | 10.30                                                                                                           | 33,022         | 71,478      | 22.30           | 8.63                       |
| Sioux.....         | .....                                                                                    | .....          | .....                                                                                                           | .....          | 20,963      | 15.00           | 3.74                       |
| Stanton.....       | .....                                                                                    | .....          | .....                                                                                                           | .....          | 67,127      | 15.20           | 8.90                       |
| Thayer.....        | .....                                                                                    | .....          | 2.36                                                                                                            | 14,512         | 77,161      | 12.56           | 5.22                       |
| Thomas.....        | .....                                                                                    | .....          | .....                                                                                                           | .....          | 7,456       | 14.00           | 6.26                       |
| Thurston.....      | 1.00                                                                                     | 3,426          | .....                                                                                                           | .....          | 51,392      | 15.00           | 5.90                       |
| Valley.....S       | 1.00                                                                                     | 3,641          | 7.16                                                                                                            | 26,055         | 52,270      | 14.36           | 5.51                       |
| Washington.....    | 2.90                                                                                     | 17,003         | .....                                                                                                           | .....          | 83,253      | 14.20           | 6.54                       |
| Wayne.....         | .25                                                                                      | 1,426          | .03                                                                                                             | 191            | 64,055      | 11.23           | 6.16                       |
| Webster.....       | 4.00                                                                                     | 21,554         | .....                                                                                                           | .....          | 80,827      | 15.00           | 6.73                       |
| Wheeler.....       | 1.00                                                                                     | 697            | .....                                                                                                           | .....          | 10,454      | 15.00           | 4.56                       |
| York.....S         | .....                                                                                    | .....          | 3.99                                                                                                            | 36,217         | 87,958      | 9.69            | 4.69                       |
| Totals.....        | .....                                                                                    | \$472,955      | .....                                                                                                           | \$964,449      | \$6,635,261 | \$14.10         | .....                      |

\*S—Supervisor or township organization









